

MUNICIPAL ANNUAL REPORT:

CUSTOMIZED TEMPLATE AND GUIDELINES AS FROM FINANCIAL YEAR 2010/2011

PREPARED BY

MUNICIPAL MANAGER: M. FIHLANI



INGQUZA HILL LOCAL MUNICIPALITY

Overview of the entire report

FOREWORD BY HIS WORSHIP THE MAYOR

It is an honour to present this annual report for the financial year 2010/2011 to this important council, the community of Ingquza Hill Municipality and to all stakeholders that are important for the life of the municipality.

The municipality presents this annual report to the people of Ingquza Hill so that they are appraised of the progress that has been achieved so far as well as challenges the municipality is encountering. This is also in compliance with Section 127 of the Municipal Finance Management Act No 56 of 2003. Our municipality has been progressing since 2006/2007 financial years. It improved its internal controls and reporting from 2008/2009 financial year. These improvements in internal controls culminated to Unqualified Audit opinion by Auditor General.

The improvements in internal controls go hand in glove with improvements in delivery of basic services such as access roads, electricity and provision of social facilities like community halls. The municipality ended the financial year with a dedicated political leadership to speed up service delivery and improve the image that has been tarnished over the past years.


The municipality is still faced with challenges of the huge infrastructure backlog. This requires collective leadership with vision and skills so that we can utilise meagre resources effectively and efficiently and work together to better the lives of our people.

We are grateful to all people of Ingquza Hill for their unwavering support despite the fact that we let them down in some instances and we commit ourselves not to fail them.

We thank the management and the staff of Ingquza Hill for devoting all their energies to ensure that achievements we are counting in this annual report.

Together we can do more.

Thank you,



Cllr. J.P Mdingi

The Mayor

EXECUTIVE SUMMARY

It is with great pleasure to present to the municipal council the annual report in compliance with the provision of Section 46 of the Municipal Systems Act No 32 of 2000 as amended and Municipal Finance Management Act No 56 of 2003 as amended. Financial year 2010/2011 has been a very busy year and challenging to the Municipal Council and the whole community of Ingquza Hill.

Our basic services delivery: construction of gravel access roads are on track and are of quality and standard that are set by the provincial and national government departments. It makes a huge impact on the quality of lives of the community of Ingquza Hill. We have made good strides on electrification of households. Thousands of households have been electrified by the municipality and through Eskom.

Provision of Social Facilities: community halls continue to be one of the priorities that municipality is addressing albeit the financial constraints.

Refuse Removal: is implemented in suburbs and townships on specified days and daily in Central Business Districts (CBD's)

Challenges are encountered on the side of electrification where ESKOM delays in dispatching their personnel to identify snags and energize the households. Environmental Impact Assessment (EIA) continues to be a challenge where Records of Decision (ROD) would be issued late by Environmental Affairs department, thus causing delays. Environmental consultants fail to submit relevant documentation on time to Environmental Affairs department.

The municipality provides funding for LED projects that are owned mainly by rural women and youth. This also contributes to alleviation of poverty. Cooperatives are established and training is provided to them. Challenge is that, huge investments that would leave an indelible mark on the employment of people of Ingquza Hill have been delayed due to the economic recession. Financial institutions did not approve funding to those developers. There is a hope that there will be progress during 2011/2012 financial year.

Funding of cooperatives remains a challenge and coordination of these cooperatives funded by various department needs serious attention. Land invasions of commonage remain the challenge and the delays by Rural Development and Agrarian Reform to pay for approved compensation is also a challenge.

Institutional transformation and organisation development: remains the one of the cornerstones through which the municipality can achieve its vision. Skills development of councillors, communities and staff remain the key. Councillors were inducted and there has been re-skilling of staff members. Policies were developed and some were reviewed to ensure the implementation of the IDP. Higher Education and Training came to our rescue by ensuring that Sector Education and Training Authorities (SETA's) go to the people and identify the training needs. Long term organisational strategy was crafted and adopted by the council to guide the development of IDP's

Response of communities to the clarion call for the registration of their skills development officers of the municipality to develop with various SETA's need to be looked at very seriously

Financial Management has greatly improved. This is attributed to the dedication of all employees and political leadership to compliance to laws and regulations, policies and procedures that serve as internal controls in all the programmes and transactions we undertake as municipality. Ingquza Hill Municipality got an unqualified audit plan opinion due to the good record management and internal systems mentioned above.

Financial viability of the municipality will remain the challenge due to the legacy of apartheid and structural problems of the economy. Qaunza Group and Lusi Park developments will assist the Municipality.

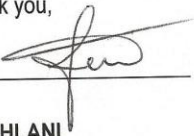
The municipality was engulfed by the political instability from the beginning of the financial year. The political leadership elected during Local Government elections stabilised the municipality and as a result all oversight structures required by the law are established and are functioning very well. Council and its committees are sitting as planned. This will assist in providing good political leadership, good governance and accountability to the municipality and will bring about a responsive, efficient, effective and accountable local government. Municipal Turn Around strategies have been implemented by the municipality and this will ensure that the municipality achieves one of its MUTAS objectives being clean audit.

Leadership committed itself to ensure that issues that have been raised by Auditor General with regards to internal audit committee are addressed. Ward committees continue to be the link between the communities and the council and they are very effective.

Intergovernmental Relations Structures are now functional at Municipal level but it would be more appreciated if what is discussed finds expression on District Coordinating forum so as to ensure integration of programs and projects to improve service delivery of the whole.

We express a sincere gratitude to the community, honourable councillors for the guidance they gave us to ensure the implementation of the Service Delivery and Budget Implementation Plan (SDBIP). We are also thankful to the management, the staff and trade unions for the cooperation we had during 2010/2011 financial year without them we could not have achieved the good results that have been reported.

Thank you,



M. FIHLANI

MUNICIPAL MANAGER

PART 2: KPA ACHIEVEMENT REPORTS

CHAPTER 1: ORGNIZATIONAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

1.1 PRESENTATION OF THE ORGANIZATIONAL STRUCTURE

As per the organisational structure that was approved the total number of posts was three hundred and thirty three (333), two hundred and five (205) have been filled and one hundred and thirty (130) posts remain vacant.

There are six (6) Senior Managers who completed performance agreements and these were submitted to the Department within the prescribed timeframe.

1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR

The following trainings were undertaken: Report Writing and Minute Writing, Computer training for 9 officials. 4 officials & 1 councillor received financial assistance to further their qualifications. Training on Performance Management System by the Vulindlela Academy was completed. Training on the Occupational Health & Safety was completed. ABET programme was implemented for 30 learners.

1.3 Full time staff complement per functional area (examples are given below)

- a. MM/Section 57 and Line Manager

DEPARTMENT / FUNCTIONAL AREA	APPROVED	FILLED	VACANT
Office of the Municipal Manager	5	4	1
Budget & Treasury	22	14	8
Corporate Services	59	33	26
Engineering & Infrastructure	81	67	14
Community Services	141	71	70
Planning & LED	25	14	11
TOTAL	333	203	130

b. STAFF COMPLEMENT IN THE TECHNICAL SERVICES

2. Technical staff registered with professional bodies

Technical Service (e.g water, electricity etc...)	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
Engineering(Civil & Electrical)	5	4	Nil	1

3. Staff level of education and skills

Total number of staff	Number of staff without	Number of staff with Senior	Number of staff with Tertiary/accredited
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	Grade 12	Certificate only	professionals training
203	84	66	53

4. Trends on total personnel expenditure

List of pension and medical aids to whom employees belong

Names of pension fund	Number of members		Names of medical Aids	Number of members
SAMWU National Provident Fund	186		BONITAS	54
			SAMWU Med	9
			Med shield	2
			LA Health	58

1.4 Senior officials' wages and benefits (only if not included in the financial statements)

The information is provided in the annual financial statements included in this report

1.5 IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM (PMS):

The PMS policy was reviewed and adopted by the council.

During 2010/11 financial year the municipality managed to implement the Performance Management system. The section 57 Managers signed their performance contracts in line with their SDBIP. The reviews were not conducted but the reports (Monthly, Quarterly, and Section 72) were compiled and submitted on time. These reports were submitted to the Mayor. As per our SDBIP we mentioned that formal reviews will be done on the section 72 report, this work was never reviews due to the non sitting of the council in the last financial year

1.6 Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	130	High	80	Budgetary Constraints
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	high	90	One section 57 manager resigned

3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	6	High	100	None
4	Percentage of Managers in Technical Services with a professional qualification	5	High	100	None
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)				
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	205	High	100	None
9	Percentage of councillors who attended a skill development training within the current 5 year term	62	High	100	None
10	Percentage of staff complement with disability	1	Low	0.005	
11	Percentage of female employees	91	Average	42.1	
12	Percentage of employees that are aged 35 or younger	67	Low	31	

CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

2.1 Water services

a. Water services delivery strategy and main role-players:

Water service is the competency of the District Municipality (O. R. Tambo). The OR Tambo District Municipality is the Water Services Authority and Water Services Provider responsible for planning, implementation, and operation and maintenance of water and sanitation services within the 5 Local Municipalities which used to be 7 before the 2 were transferred to Alfred Nzo DM. In terms of the law the District Municipality is therefore responsible for the development and the implementation of its water services by-laws, District Wide Water Master plans, Water Conservation & Water Demand Management and Water Services Master Plan.

O.R. Tambo District Municipality is a grant dependant municipality and most of its water capital projects are funded through the Municipal Infrastructural Grant (MIG) which the Department of Cooperative Government and Traditional Affairs (COGTA), the Department Local Government and Traditional Affairs (DLGTA), National Treasury and Provincial Treasury have micro control. The bulk water supply is funded through the Bulk Infrastructure Grant Funding funded by the Department of Water Affairs (DWA). In terms of the law DWA is the regulator. The Operation and maintenance is funded through the equitable share from the Division of Revenue (DORA) and through own funding. The Local Municipalities have very little role to play in water related services except playing a facilitation role.

c. LEVELS AND STANDARDS IN WATER SERVICES:

Yard water connections are regarded as the high level of services and the provision of communal Stand-pipes as being the low level of services. Most of the information with this effect will be reported by the District Municipality as the major role players in water services.

In estimating the water backlogs, the following assumptions have been applied:

- People with piped and borehole water within 200m are deemed to be served.
- People sourcing water from springs, rainwater tanks, streams, rivers, dams or water vendors are deemed to be unserved.
- People sourcing water from communal taps, yard taps or any other more basic source are deemed to be not served to a higher level.
- Yard water connections thus to indoor taps are regarded as the high level of service

c. Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	100% (48 703) h/h	64% (31 359) is used as baseline from 2009, and ORTDM will report on the updated version.	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
2	Percentage of indigent households with access to free basic potable water	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
4	Percentage of clinics with access to potable water	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
5	Percentage of schools with access to potable water	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
6	Percentage of households using buckets	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report

There is big project of regional water scheme that is being implemented which will include construction of a dam, bulk supply & reservoirs, and reticulation.

d. Major challenges in water services and remedial actions

- There are constant water cut-offs especial in Flagstaff and this can be attributed to the fact that there is a scarcity of built water resources like big dams in the region although the rate of rainfall is high.
- The above point has lead to a point that almost all the rural areas can't be serviced in terms of water.
- District does not make information to be readily available to its local municipalities in terms of backlogs and their plans.

Backlog eradication is not the only substantial challenge facing the OR Tambo District Municipality. Much of the existing water and sanitation infrastructure is not adequately maintained and, in many cases, is not functioning. Ongoing refurbishment and maintenance is therefore a priority for sustainable water services delivery. The backlog figures should therefore be considered in the light of this situation as they represent the population that is unserved by water or sanitation

schemes. Those deemed to be “served” are not necessarily benefiting from a fully functional and operational water service, though they do live in the area covered by some sort of formal scheme

1. Remedial Actions

The Local Municipality will facilitate the following activities which will be carried out by the District Municipality:

- Refurbishment and replacement of the dilapidated infrastructure
- The DM should also look at either building more dams in the region, source water from other regions, construct boreholes, or use any alternative measures available in order to meet the demand

2.2 ELECTRICITY SERVICES

Executive Summary:

Ingquza Hill Local municipality does not carry an electricity distribution license. Electricity services is solemnly distributed by Eskom throughout the whole municipality area of jurisdiction, including the towns and suburbs. Through Council and officials' dedication the municipality managed to secure funding through turn-key programme to electrify a number of villages thus contributing in reducing backlogs. The programme will run over three years and the first allocation has been R20'000'000.00 that was used to electrify 3 wards (11, 12, & 17), thus covering 7 villages with 1773 h/holds connected. The three year program starts from 2009 to 2011.

Due to a number of reasons pertaining mostly the poor performance by the service provider the municipality couldn't spend all its 09/10 allocation and portion of it was rolled over.

Once these projects are completed the municipality will hand them back to Eskom. Another 7 villages in 3 wards will be electrified in the 10/11 FY and 885 h/h will be serviced.

a. Electricity Services Delivery Strategy And Main Role-Players

Electrification is the competency of Eskom and therefore the municipality can only play a facilitation role. Backlog in the electrification of Ingquza Hill LM is very significant and as a big number of households are using other alternatives sources of energy. The municipality has engaged DME for electrification of villages in (ward 11, 12&17) from 2009-2011. The role players are Technical Services Department, Eskom, DME, Thunzi Consulting Engineers, Racec Power.

Electricity is not the competency of O.R. Tambo District Municipality in terms of powers and functions. Only KSD and Mbizana Local Municipality are licensed to supply electricity in their towns. The surrounding rural areas of KSD and Mbizana and other five local municipalities are supplied by Eskom. O.R. Tambo District Municipality is only playing a support and the coordinating role in terms of electricity services.

Regarding free basic energy, consultations with the stakeholders are underway in municipalities towards the development of policies thereof. Various sources of electricity have been identified to be the grid, solar energy and gel. The public participation processes conducted in this regard indicated that communities are not interested in the alternative sources of energy, they are only interested in the Eskom grid.

The electricity function lies with Eskom, however there are two local municipalities, King Sabata Dalindyebo and Mbizana, who are responsible for the supply of electricity in their towns. Free basic energy policies are developed by Local Municipalities as indigent policies are being developed by Local Municipalities.

b. LEVEL AND STANDARDS IN ELECTRICITY SERVICES

People who are connected to Eskom grid are regarded as fully served.

People who are connected to solar energy and gel are regarded as being served to basic level.

People who use candles and paraffin or any other source of energy are regarded as being unserved.

b. Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	100% (48 703) h/h	23%((30 871) h/h thus with the indication of 2% and 1% as projected in 2008)	Municipality targeted 1778 h/h despite those by Eskom.	1778 h/h connected but couldn't be energised.	50%
2	Percentage of indigent households with access to basic electricity services				11238	
4	Percentage of indigent households with access to free alternative energy sources				3654	

c. Major challenges in electricity services and remedial actions

The municipality still have a huge backlog of electricity and in some instances is due to non accessibility as a result of poor roads infrastructure. The municipality tried to assist Eskom by providing access roads for their projects but EIA processes are taking a toll in delaying such programmes.

Current electricity load far exceed the supply and Eskom needs to be engaged in order to strengthen their substations even further.

The rolling out of the REDS programme looked to be eminent in order for the local municipality to benefit in terms of revenue collection but it is moving at a very slow pace.

indigent register was never completed and therefore the extent of backlogs cannot be determined as well the annual target. Register to be completed.

2.3 SANITATION

a. Sanitation services delivery strategy and main role-players

Sanitation is the competency of District Municipality and therefore the municipality only plays a facilitation role.

b. Level and standards in sanitation services

In estimating the sanitation backlogs, the following assumptions have been applied:

People with flushed toilets with waterborne, septic tanks and digesters are regarded as served to higher level

People with Ventilated Improved Pits (VIP) are regarded as served to lower level or basic level (RDP standard).

People with no toilet infrastructure or a toilet with no ventilated improved pit (pit latrines) or bucket system are regarded as not served.

DISTRICT MUNICIPALITY WILL REFLECT ON BACKLOGS IN TERMS OF SANITATION SERVICES AS THE MAJOR ROLE PLAYERS IN SANITATION.

c. Annual performance as per key performance indicators in sanitation services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services	100% (48 703) h/h	80%(38 776) h/h has been used as baseline based on 2009 CIP and ORTDM will provide update with regards to	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report

			this information in their report.			
2	Percentage of indigent households with access to free basic sanitation services	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report
4	Percentage of clinics with access to sanitation services	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report
5	Percentage of schools with access to sanitation services	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report

D. MAJOR CHALLENGES IN SANITATION SERVICES AND REMEDIAL ACTIONS

1. Challenges

- Lack of working relations or communication between DM & LM has lead to lack of information from the LM with regards to this service.
- We are running a risk of facing an outbreak of diseases due to unhygienic ways of living due to poor sanitation methods being employed.
- Lack of adequate water is also stumbling block in terms of installing full water borne toilets system.
- The town of Flagstaff currently run on septic tanks system which are overflowing damaging roads, and causing health hazards to the public in general.
- Below is the baseline information of 2009/2010 FY and will be updated in the ORTDM report.

Approximately 62% of the population does not have an adequate level of sanitation (at least a VIP or equivalent). Of the 62%, 172,582 households (approximately 914,000 people) are located in the rural areas of the district. Only 4 of the 10 urban areas within the seven municipalities are either fully or partially served by waterborne sanitation systems. The rural areas generally depend on informal pit latrine toilets where at least 91.4% of the population has no formal sanitation services.

Refurbishment and upgrading of existing sewer plant eminent together with the replacement of existing old sewer lines. The implementation of waterborne sewer system in other towns is underway in four towns but more funding is required to upgrade waterborne sewer system in other five towns in the district.

2. 4 ROAD MAINTENANCE

a. Road maintenance services delivery strategy and main role-players

It is the competency of the Local municipality to construct and maintain the access roads within the Ingquza Hill Municipality jurisdiction. Road maintenance includes re-gravelling, storm water drainage, bridges, pothole patching, paving, road signs, road markings and foot paths

There are two teams working in the implementation of roads maintenance, thus a plant unit and roads maintenance team which is the officials in the technical services department. The plant team is basically responsible for plant operations and management be it in roads maintenance or implementing capital projects. The roads maintenance unit is responsible for the following technical items:

- Patching of potholes
- Unblocking of drains
- Clearing of drain
- Light blading of gravel roads
- Road markings

B. LEVEL AND STANDARDS IN ROAD MAINTENANCE SERVICES

- i) Programmed and systematic inspection regime for the road network.
- ii) Reasonable smooth sealed driving surface with no dangerous deformations.
- iii) Sealed surface shall provide reasonable friction level for vehicles.
- iv) Provision of warning signs to road users of hazard potential hazards.
- v) Consistent nominal sealed width with no dangerous deformations.
- vi) Relatively consistent surface level between seal and the edge of the shoulder.
- vii) Regulatory signs to be visible and legible.
- viii) Provide smooth riding surface with good drainage.

c. Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads					
2	Percentage of road infrastructure requiring upgrade	100% (875km)	96% (838km gravel roads)	0 km	0%	0%
4	Percentage of planned new road infrastructure actually	875 km	875km as at	55.12km	50.62km	91.8%

	constructed		December 2009			
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.			2.5 % (R500'000.00)	40 km	100% of the target

d. Major challenges in road maintenance services and remedial actions

Challenges

- The heavy rains and the fact that most of the areas covered by the municipality are mountainous is not doing justice to our roads especial the gravel roads.
- There is a very limited budget available or reserved to maintain roads that have been constructed or rehabilitated using MIG funding.
- There is also a lack of resources that are needed to perform the road maintenance function effectively as the available plant (which is also not adequate) is meant for capital projects.
- There is no capacity or resources to assess all our roads and compile a report that will clarify the exact amount of backlogs as well as the condition of them for the purposes of planning and budgeting, and as a result maintenance is based on submission of one road per ward by the ward councillor.

2. REMEDIAL ACTIONS

- The roads maintenance budget needs to be increased to the minimum acceptable level that will enable for the efficient maintenance of roads.
- The Municipality should also look at appointing a service provider or a consortium of Consultants to do a backlog study citing as well the condition of our roads.

2.5 WASTE MANAGEMENT

A. WASTE MANAGEMENT SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

Waste management is the competency of Ingquza Hill LM its focus is in refuse removal and management of dumping sites to practise the high level of environmental health and safety. Refuse removal Services only focuses on the CBDs and peri-urban areas of both units. This leaves out quite a number of households practising their own rubbish disposal and their own refuse sites. The municipality does not have legalized dumping sites. The role players are employees on solid waste section, departmental supervisors and managers, affected communities

B. LEVEL AND STANDARDS IN WASTE MANAGEMENT SERVICES

- i) Ensuring environmental healthy areas
- ii) Ensuring cleanest towns
- iii) Dumping site that are environmentally friendly

c. Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	48 703 h/h	47 083	1620	1620	100%

D. MAJOR CHALLENGES IN WASTE MANAGEMENT SERVICES AND REMEDIAL ACTIONS

Refuse collection only covers the urban and peri-urban areas leaving the vast majority of rural communities practising their own refuse removal.

This can be alluded to a shortage of resources (in terms of both personnel and equipment), as well as funding to cover the whole municipality area.

The dumping sites are neither legalised nor operated in a correct way.

This alluded to the fact that the current land-fill sites are not welcome by communities closer to where they are and lack of skills in terms of being able to operate the sites correctly.

REMEDIAL MEASURES

Government to pump in more funding especially to the rural municipalities that have a low revenue base.

Municipalities to use such funding to build capacity in terms of human numbers and equipment and also in building the necessary skills or employ relevant professionals.

Municipality to identify land that can be used for land-fill sites.

2.6 HOUSING AND TOWN PLANNING

Housing and town planning services delivery strategy and main role-players:

The municipality is currently facilitating in the implementation of the low cost housing. The projects underway in urban area is the Thabo Mbeki Settlement for 503 Units and Joe Slovo Settlement in Lusikisiki (1117 units) respectively.

The other projects being implemented is the rural housing development for the following projects:

- Ingquza 500, Holy Cross 500, Dimfi 500, Xhopoza 500 and Mpoza 500. The last project that has been approved by the department of human settlements is the Lubala Project for 90 beneficiaries. All these

The project for Thabo Mbeki was blocked by the Department of Human Settlement and it was unblocked in 2009 and the Department of Human Settlements became the developer and the municipality was assisting in the facilitation process. Therefore the project was affected as the result of the termination of the contract of the service provider on the grounds of non performance.

After the termination of the previous service provider, there was a delay in getting the new contractor. The registration of the title deeds is well underway. Otherwise all the housing projects are currently experiencing challenges. Status of the different projects varies from project to project because of unique challenges that projects are faced with.

1. Thabo Mbeki Settlement: 503 units

This housing project has been running since 2000 with very slow progress due to it having been a “blocked” project. The project resumed in March 2009 with Kentha Construction as the appointed contractor by the Dept of Housing. From July 2009 100 slabs have been completed, with NHBRC trainees also completing 4 show houses. There are 110 Houses that have roofing and are completed. NHBRC is yet to approve.

What must be noted is that the construction company Kentha has been relieved of their contract on site for the 503 Housing Project. The issue of conveyancing in Flagstaff 503 is still on-going with more than 50% of the properties transferred; there are challenges in terms of the beneficiaries that are missing. The municipality has made announcements in the local community radio trying to locate the beneficiaries, all the ward councilors were advised of the missing beneficiaries in order to provide support in their different wards.

Some beneficiaries have passed away leading to the transfers of the properties to the people that are legally beneficiaries of the estate of the registered owner.

The settlement is currently not serviced and there is no electricity. This is a major issue for the residents affecting their dignity as human beings of this settlement. One finds that people have to relieve themselves at the nearest bush area, were recently at least three dead people have been found. Also, there are a large number of disabled people living in Mbeki Park, people in

wheel-chairs and they too find it extremely difficult to find areas for sanitary purposes. As a municipality we believe that the issue of infrastructure relating to services in this area really needs to be addressed and we are awaiting the Department of Housing to carry out the installation of bulk infrastructure at the project site.

Lastly, the new service provider has been appointed by the department of human settlements. The contractor is on site currently implementing the project. The steering committee and the Community Liaison Officer have been appointed to assist in the construction process. There are no challenges experienced as of now, but the community members are concerned about the provision of the toilets as the designs reflect that each housing structure will have a toilet. They prefer outside toilets because of the unavailability of the services. The matter will be taken up with the Department of Human Settlements to check the possibility of considering the community concern.

2. Joe Slovo Settlement

The remaining units are still not completed due to the problems found previously such as encroachment of neighborhood school into the settlement, land invasion onto the settlement and topography affecting building process. Currently the view of the municipality is that the number of units for this settlement be reduced to 1111 units. This has to still be passed to council. The service provider Arcuss Gibb was appointed by the department to handle issues relating to transfers in the area, but to date nothing has happened.

However in 2011, NPM town planners and surveyors were appointed by the Department of Human Settlements to undertake the survey of the site following the Development Facilitation Act (Act 67 of 1995) (DFA). The amended layout plan has been done, but the challenge is that the people have built incorrectly not following the building regulations as a result the fencing of the encroaching properties will need to be removed. The municipality has advised the service providers to avoid as much as possible, the existing housing structures as they will need to be demolished and therefore there will be no demolition taking place.

The layout plan has to be approved by the community before the final submission is made in terms of the DFA, but the meetings organized were not successful. The ward councilor and the housing committee members and leaders have been advised of the implications of the delays in getting these approvals from the community. Therefore, the layout plan has been presented to the committee members in November 2011. Therefore the final submission of the layout plan is currently negatively being affected by the adoption of the plan by the lack of community meeting. The other concern highlighted by the leaders of the area was the proposed locality of the grave site in the layout plan and the area has been identified through the geo-hydrology study carried out by the municipality for the land suitability exercise.

RURAL HOUSING PROJECTS

Currently there are 5 new rural housing projects for Ingquza Hill Local Municipality, each with 500 units allocated, these include: Xopozo (500), Dimfi (500), Mpoza (500), Holy Cross (500) and Ingquza (500). Housing consumer workshops have been held at these villages. Beneficiary lists for the above mentioned areas; have already been sent for screening.

Two urban housing projects, being Nkululwekweni and Unity Park were applied for by the municipality, we have not received feedback on those applications as yet.

There are two rural housing projects at Nkoza and Mantlaneni, with 300 units per area. Both projects were implemented through the People's Housing Process (PHP), by OR Tambo District Municipality, with the local municipality playing a supportive role.

Unity Park Settlement

The survey and planning of the area is currently underway, the submission of the layout plan was made to the municipality and was approved. The advert has been made in the Daily Dispatch in November 2011 as required in terms of the Ordinance 33 of 1934. Therefore, the approval of the layout plan will assist in the approval of the housing development. Community meetings were held, there were no objections and there local chief has raised concerns about the advertisement to ward councillor and the PR councillor.

Xhopozo, 500

The department of human settlements has approved 307 beneficiaries. Out of the 353 beneficiaries 36 beneficiaries failed. Approximately, 46 beneficiaries were received and send for initial searches from the total number of beneficiaries of 353 in total that has been submitted, out of the number 46 not yet approved. There is outstanding information for 21 beneficiaries such as (19 beneficiaries) death certificates and letter the chief. There are challenges in terms of getting the beneficiaries to submit outstanding information for 21 beneficiaries, 2 people have to rectify their identity documents.

Ingquza, 500

The project has been affected by the incorrect capturing of the beneficiaries. The project was earmarked for Ingquza area for 500 members and therefore the beneficiaries captured were from Holy Cross. Therefore this has creating conflicts between the leaders of the respective areas and currently the municipality and the department of human settlements intends to capture the beneficiaries for the area. A meeting was held between the steering committee, the municipality, the Councillor from O.R Tambo District Municipality and the Department of Human Settlement to clarify the way forward for this project. It was resolved that the department of human settlements must top up for the construction of the houses for the Ingquza 500 area. The matter has also been outlined to the members of parliament.

Holy Cross, 500 s

The municipality has managed to receive a confirmation that 435 beneficiaries have been approved. Approximately, 25 beneficiaries failed submitted for screening failed as the result of non- compliance with housing subsidy requirements. Therefore about 5 beneficiaries were declined for non-compliance with the housing subsidy. The department of human settlements has received 73 and were sent for initial searches. The surveyors have done the topographical surveys for the area for the construction purposes.

Mantlaneni & Nkoso Rural Projects

In Mantlaneni to date 209 houses are completed, 15 with roofing, 14 uper structures and in Nkoso 260 houses have been completed, 40 under construction, 11 super structures, 2 at the roofing stage, 27 finishing, 29 not yet started The biggest challenges facing these two projects range from the condition of road leading to the above mentioned areas is very poor which leads to slow delivery of material, continuous late payment of suppliers, shortage of water in the area.

d. Level and standards in Housing and town planning services

Low & high level access to housing: Currently the municipality has low cost housing projects that have offered access to housing to some of the municipality's disadvantaged groups. But demand does exist from these groups. The middle income group has very little access to housing as this is determined by the availability of land to develop these residential areas. Therefore the demand is there for access to housing.

The municipality is currently having plans to develop middle income development in Lusikisiki. The projects include 250 erven and the other project given to Lusi Park Investment. The basic studies have been carried out by the municipality for the 250 erven such as the geotechnical studies, EIA and survey work. The other project (Lusi Park), the concept plans have been developed by the municipality.

Low & high quality standard: The standard of housing is going through changes due to the employment of a building inspector to inform and guide the building and approval of structures. The town planning services offered are evident in the several land use application received as expressions of interest by residents using these services. The down side becomes were the numbers in people using these services do not tally with what is actually happening on the ground.

c. Annual performance as per key performance indicators in housing and town planning services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/custom er reached	Percentage of achievement during the year

1	Percentage of households living in informal settlements	5000	5000	1000	Nil	Nil
2	Percentage of informal settlements that have been provided with basic services	5000	16271 indigent households	500		Mr Gqada to respond..
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	The municipality carried out the exercise, however there has been constraints in terms of personnel as there is one person responsible for this exercise.	Not determined yet	10 % of existing houses	Nil	0 %

d. Major challenges in housing and town planning services and remedial actions

2.7 Spatial planning

a. Preparation and approval process of SDF:

The Department of Land Affairs has supported the municipality in terms of funding to carry out the reviewal process of the municipal wide Spatial Development Framework (SDF). The SDF clearly identifies the future growth of the town; these include

the nodal areas in different coastal areas. Therefore there is a need to consider infrastructure upgrade to respond to the development needs of the areas.

The SDF has made various proposals for development in the two urban centres, Flagstaff and Lusikisiki, while also addressing the potential for development along the coast. Due consideration of the LED Strategy has been made in order to complete the SDF for the purposes of linking economic plans to land development objectives. The existing SDF was assessed by the Provincial Department together with the IDP and was seen to be credible. It was given a high rating by the assessment outcome.

The SDF development process included various government departments, stakeholders and interested and affected parties was established and the first workshop was set up in Flagstaff to present the first draft of the SDF so as to receive comments and discussions. The final SDF was adopted by council in February 2011 and therefore the reviewal of the SDF will be done in 2012/2013. This SDF is the municipal policy on land development purposes and will guide any development and investment in the municipal area.

b. Land use management:

The municipality assist residents with various land use applications by using the Ordinance 33 of 1934. Although the interest is there in people taking on the route of having their properties serve as mixed land use properties, the percentage of land use applications that come through the municipality is minimal as compared to what is on the ground.

There has been an improvement in terms of getting people to submit the applications for land use change and generally people do not understand these processes. Therefore in the previous year, the municipality received about 10 land use applications. This year, there has been an improvement in terms of the number of the applications submitted to about 18 in total.

Rezoning/Subdivision	18
Consent use	1
Removal of Restrictions	6
Township Establishments	5

a. LAND USE MANAGEMENT:

The municipalities should provide information that indicates effective use of land through the number of applications received and processed in the following categories:

- Rezoning,

- Sub-division,
- Consent use,
- Removal of restrictive conditions
- Township establishments

C. MAJOR CHALLENGES IN SPATIAL PLANNING SERVICES AND REMEDIAL ACTIONS

Spatial Planning has major challenges that relate to the following:

Spatial Planning	Remedial
• Land use management	Rezoning and subdivision of the unsurveyed sites.
• Land invasions,	Identified the municipal boundaries and advising council of encroachments. Formation of land committees to guide the invasions.
• Illegal buildings,	Identification of illegal buildings and advising offenders
• Encroachments,	Instituting legal charges and educate the communities as part of the good governance purposes.
• Land Claims	The municipality is currently fast tracking the land claim issues and the relevant department has been engaged
• Lapsed township register, and	Revalidation of the townships
• Erven without title deeds.	Advising owners of the erven without title deeds

2.8 INDIGENT POLICY IMPLEMENTATION

- Preparation and approval process of the indigent policy
- Implementation of the policy

2.9 OVERALL SERVICE DELIVERY BACKLOGS

Basic service delivery area	30 June 2009			30 June 2010		
Water backlogs (6KL/month)	Required	Budgeted	Actual	required	budgeted	Actual
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Electricity backlogs (30KWH/month)						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						

Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Sanitation backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Road maintenance						

backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Refuse removal						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to						

eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Housing and town planning						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	5000	313 545 000	188 127 000	5000	313 545 000	188 127 000
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	5000	100 %	60%	5000	100 %	60%
Spending on new infrastructure to eliminate backlogs (R000)	Nil	Nil	Nil	Nil	Nil	Nil
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Nil	Nil	Nil	Nil	Nil	Nil
Total spending to eliminate backlogs (R000)		313 545 000				
Spending on maintenance to ensure no new backlogs (R000)	Nil	Nil	Nil	Nil	Nil	Nil

CHAPTER 3: MUNICIPAL LED FRAMEWORK IMPLEMENTATION (KPA 3)

3.1 Status: The Local Economic Development Strategy has been completed and approved by the Council. This Strategy is aligned with the District LED Strategy, ISRDP, SDF, RSDP, IDP and other relevant documents.

The main role players in the process of formulation of the LED Strategy were as follows:

- Ingquza Hill Municipal Council and officials
- OR Tambo District Municipality
- Community Leaders (Traditional Leaders, Council of Churches etc)
- Non – governmental Organization
- Government departments
- Labour Organizations
- Government Agencies

The LED Strategy entails

Setting up a LED Unit

The municipality has an established LED Unit and is placed under the Directorate of Planning & Development and has no separate functional head. The municipality has reviewed the existing organogram to accommodate for the deputy manager as means of enhancing the LED. This Unit is responsible for:

- Creation of investment opportunities,
- Co-ordination of LED initiatives,
- Promoting joint production, marketing and purchasing schemes,
- Establishment and management of municipal LED database, and
- Prioritising and Coordinating LED Financing.

The Availability of LED Expertise

The LED Unit has four Sub- units which are Agriculture, Forestry, Tourism and SMME promotion in which there is a responsible official in each of them. There are currently officers and there is no Administration Support Staff.

LED Stakeholder Forum functionality

There is an ongoing communication of plans and activities between all relevant LED stakeholders. A proper LED Forum is in the process of being established as the process would start after the LED Strategy has been completed. Consultation meetings are

ongoing which and this will lead to the establishment of the LED Stakeholder Forum. Meetings are held quarterly and when there is a need to keep stakeholders informed of all ongoing activities and to share information. The IDP process is mainly used for ensuring that the alignment of economic plans to infrastructure is undertaken.

- **Funding opportunities of LED activities**

Project Name	Project Type	Funding Source	Amount
Construction of Hawker Stalls	Infrastructural Support	DEDEA	R1, m
Construction of Hawker Stalls	Infrastructural Support	Regional Government of Tuscany Italy	R 5 m
Agricultural projects	Agriculture	MIG	R 1,5 m
Cooperatives	SMME	Equitable share	R 1 m
Sector Plan	Tourism	Equitable share	R 500 000

3.2 Progress towards achieving the LED key objectives;

a. Creation of market and public confidence

The LED strategy was finalised and adopted by the Council of Ingquza Hill Municipality. It is used as a guideline for all the LED programs. However the municipality will need to review the existing LED Strategy in order to accommodate the changing circumstances. The review of the Spatial Development Framework has considered the LED Strategy of the municipality and the District Municipality. The SDF does indicate general land uses and guidelines of the Land Use Management but the municipality does not have the LUMS yet.

Licensing and trading permits

The municipality is not involved in issuing and managing trading licences as this has been a mandate of the Department of Economic Development and Environmental Affairs. However, the municipality remains responsible for issuing permits for hawker trading in both towns although there are still challenges in regulating this industry. Because of current challenges that include space, infrastructure, water and Sanitation the Municipality has temporarily suspended issuing permits to Street Traders until these challenges are resolved.

The municipality has already engaged the informal traders in both towns in order for them to form an association for the Ingquza Hill Local Municipality as opposed to the association per each town. The leaders of the informal traders were taken for trainings by NetsAfrica. The construction for the stalls is underway for both towns. The baseline study was done by Nets Africa showing the key challenges in Lusikisiki.

Investment

There were five anchor projects that were identified by the municipality as key for development in the municipality. These projects were packaged and exhibited in the OR Tambo investment conference. The projects are as follows:

- Lusi Park
- Forestry
- Agriculture and process in Lambasi
- Wild Coast development of Golf Estate
- Mining (quarry)

These projects are at different stages of progress with Lusi Park having developers that have been appointed. Further proposals are being developed for the development of the Wild Coast and there has been an expression of interest in the forestry. However the new council has requested that at least 5 projects must be prioritised for this term of council and this has to include the Magwa Tea Plantations which is currently experiencing challenges in terms of viability. The staff members are sometimes not paid for their services as the result of the cash flows problems.

Trading By-Laws

There are by-laws that were developed and gazetted to regulate street trading; the by-laws are also supported by a street trading policy which was adopted by the municipality. The challenge that remains is that these by-laws are still being reviewed to cover other aspects so they can be enforced. The existing by-law did not specify the fines for non compliance and there is also a challenge in terms of enforcement.

Provision and maintenance of infrastructure

Infrastructure is one single enabler for economic development which is seriously inadequate. The inadequacy of infrastructure is a historic matter which has to be viewed in the context of poor planning or deliberately limiting development of the rural towns like Lusikisiki and Flagstaff. The linear planning of the towns as resulted on creating pressure points in the town and thereby limiting development. Water and sanitation are a function of the District municipality and as such the local municipality has requested the district municipality to prioritise water and sanitation in both towns.

Further, the municipality formed a partnership with Asgisa-EC to conduct a study of infrastructure levels and required levels to cope with the anticipated developments. This partnership did not materialised as the result of the funding challenges from Asgisa.

Therefore the municipality has to make sure that the issue of infrastructure is addressed as some of the land developments demand the infrastructure before being approved by the Township Board.

The detail of the infrastructure need will be highlighted in the proposed Precinct Plan by the municipality as supported by the Department of Rural Development. The project will be implemented in 2012 caused by the delays in the procurement processes.

B. COMPARATIVE AND COMPETITIVE ADVANTAGES FOR INDUSTRIAL ACTIVITIES

The large section of the economy of Ingquza Hill is currently based on government services and transfers according to the existing LED Strategy. There is a very limited industrial activity; however there are light industrial activities that include hardware traders. The only seriously potential light industrial activity is on agro-processing which has not taken shape yet due to low levels of production in terms of quality and quantity.

The Magwa tea estate remains the only light industrial activity which still needs to be enhanced. The tea production may further be improved because of the climatic conditions that are conducive to growing of tea, this (climate) is a major comparative advantage. The sector that has potential that has not yet been exploited is forestry. There is already study has been conducted by DWAF of forestry potential. However this sector still has challenges of expertise, finance support and so on.

b. Enterprise development

Business Development Services

Over the period under review there were services that were facilitated by the municipality for the benefit of the SMME sector. The first is that the municipality provided space for South African revenue Services to assist small businesses to complete and submit tax returns and also conduct general tax awareness. The municipality has also signed an MOU with SEDA to bring their services closer to their clients by deploying an official to assist all prospective and existing SMME's in the area.

The ORTDM has also provided support in terms of training and funding local SMME's.

There has also been an engagement with Eastern Cape Tourism Board to provide training and assistance to local operators particularly around the tourism Indaba month.

Number of new formal SMMEs established

The entrepreneurial spirit is not yet at a level which we would have said it is addressing the key issues of job creation and poverty eradication. There has been a reasonable improvement in the SMME Sector in terms of registering almost all the community based projects and formal businesses and training them. This year has shown an increase in the number of businesses entering the main stream.

SEDA has a satellite office in Ingquza which assists in the registration of the cooperatives and existing SMME's. The SMME's and Cooperatives have been taken through trainings organised by external departments. The councillors per each ward have been requested to identify the existing cooperatives in the area of jurisdiction.

d. Social investment program

3.3 Challenges regarding LED strategy implementation

There are challenges that face the LED Strategy implementation the first challenge is as follows:

- **Budget**

The projects are normally having challenges in terms of the budget because of the projects inability to make revenue. The projects are merely dependent of municipality for support. There is less external funding support and the external funding is not supports one or two projects leaving the rest of the projects unsupported.

The project members do not have financial skills to manage the project and therefore the cash flows are not always considered. This affects the project sustainability in the long run. The municipal funding cycles at time is not assisting the projects as there are always problems associated with the expenditures. The lack of private sector involvement in most of the LED projects is the greatest challenge because of the lack of support for the projects after their productions have been yielded.

The municipality has not attracted a lot of the private investors for various reasons and some of the reasons explained are as follows:

- The level of economy and existing economic sectors,
- Skills availability,
- Land tenure, and
- Infrastructure.

- **Project ownership by the communities**

There is also a challenge for the ownership of projects as people only associate themselves when the project is prospering. This information was obtained during the monitoring and evaluation done for the local economic development. Most projects fail as a result of poor ownership and this result in wasteful expenditure from the side of government.

The communities get to be divided in terms of who should lead the project and the management systems all discourage the involvement of various community members. The group of people that happens to be unhappy automatically refuse to acknowledge the project.

- **Infrastructure**

The infrastructure is seen as the biggest challenge that discourages the implementation of major LED projects and certain instances the investors are reluctant to invest because of lack of infrastructure. This leads to their investment not reaping the required rewards.

The accessibility to our areas of beauty where the municipality can improve their revenue through the tourism development tends not to be sustainable as a result of the distance and infrastructural capacity. The funding required for the upgrade of the municipal infrastructure is enormous and it is not easily afforded. There is also a challenge in terms of telecommunications as there are areas that cannot be accessible through cellular phone networks and Telkom in general.

- **Poor human capital**

The municipality is faced with the challenge of having inadequate skills to address the development challenges within its area of jurisdiction. The municipality is faced with the challenges of unemployment with huge high illiteracy rates. As a result, it is very difficult to attract investment to the area because of the poor skills development and most SMME's require intensive training before they can have sustainable project development.

The effectiveness of the LED strategy is affected by the skills levels in our area of jurisdiction and therefore the ways in which to deal or to start driving indigenous knowledge programme is seen to be having a potential to succeed as people are aware of the indigenous programmes.

- **Non-viable projects**

The LED projects that were funded in the previous financial years have not really shown potential firstly because of the unavailability of the markets to support the projects, secondly, the scale of the projects is minimal for the effectiveness and there are no controls such as financial management.

There are project ownership conflicts and all the issues mentioned above contribute to the less effectiveness of the LED projects. The LED strategy has identified a need to embark on sustainable local economic development.

- **Access to markets**

The municipal area does not provide support in the form of opportunities for the local SMME. The goods produced from these LED projects are only utilised by the surrounding communities and the businesses in urban areas are not supporting these projects. This affects the viability of the projects and discourages our local economic development projects.

- **Poor private investment**

There is poor private investment for LED which has been caused by the lack of infrastructure, land tenure issues and affordability of the municipal residents. The local economy is mainly primary sector driven and this therefore affects what type of private investment that can be undertaken.

Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

4.1 The audited financial statements

ANNUAL FINANCIAL STATEMENTS

for

INGQUZA HILL LOCAL MUNICIPALITY

for the period ended 30 June: 2011

Province:

Eastern Cape

Contact Information:	
Name of Municipal Manager:	M Fihlani
Name of Chief Financial Officer:	L Pepeta
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Name of relevant Auditor:	Auditor General
Contact telephone number:	047 709 7200
Contact e-mail address:	sithembelep@agsa.co.za
Name of contact at National Treasury:	Keitumetse Malebye
Contact telephone number:	012 315 5989
Contact e-mail address:	keitumetse.malebye@treasury.gov.z

**INGQUZA HILL LOCAL MUNICIPALITY ANNUAL
FINANCIAL STATEMENTS**

for the period ended 30 June 2011

General information

Members of the Executive Council

Councillor P Mdingi	Mayor
Councillor N Gagai	Speaker
Councillor TT Besi	Member of the Executive committee
Councillor T Jotile	Member of the Executive committee
Councillor M Tenyane	Member of the Executive committee
Councillor PN Ngxamile	Member of the Executive committee
Councillor S Vatsha	Member of the Executive committee
Councillor B Mvulane	Member of the Executive committee
Councillor N Gexu	Member of the Executive committee
Councillor N Jiki	Member of the Executive committee
Councillor N Ndayi	Member of the Executive committee

Municipal Manager

M Fihlani

Chief Financial Officer

L Pepeta

Grading of Local Authority

Grade 3

Auditors Auditor-

General Bankers

First National Bank

Standard Bank

Meeg Bank

**INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

for the period ended 30 June 2011

General information

Foreword

We are pleased to present this financial report that reflects our commitment to the principle of good governance and clean administration by Ingquza Hill Local Municipality's Council

As a responsible local government structure, we have worked hard during the period under review to execute the mandate given to us by the communities we serve to advance their basic social needs and reduce the infrastructure development backlog that is faced by our country, this is our main business as the local sphere of South African Government according to section 216 of the Constitution.

As a developing local government institution, we place very high emphasis on total compliance with the financial legislation governing our conduct. We will continue to place great focuss on empowering our public representatives in playing a vigorous oversight role in the management of public funds.

We wish to thank Council and our administration for their hard work in ensuring that we post positive results in respect of our financial management.

I thank you

Councillor PJ Mdingi
Mayor

**INGQUZA HILL LOCAL MUNICIPALITY ANNUAL
FINANCIAL STATEMENTS**

for the period ended 30 June 2011

General information (continued)

Registered Office:

135 Main street, Flagstaff

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4810

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4810

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039 252 0131

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039 252 0699

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mfihlani@ihlm.gov.za

INGQUZA HILL LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

for the period ended

30 June 2011

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 52, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M Fihlani
Municipal Manager

L Pepeta
Chief Finance Officer

INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS For the
period ended 30 June 2011

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INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION As at 30
June 2011

	Notes	2011 R '1	2010 R '1
NET ASSETS AND LIABILITIES			
Net assets		95 643 651	37 062 973
Accumulated surplus	1	95 643 651	37 062 973
Non-current liabilities			
Long term loan - DBSA	2	6 825 840	6 825 841
Current liabilities		17 031 748	26 045 789.03
Current provisions	3	955 526	903 531
Trade and other payables from exchange transactions	4	6 974 959	14 177 099
Unspent conditional grants and receipts	5	8 709 183	10 710 565
Bank overdraft	7	-	16 907
Sundry creditors	4	392 080	237 687
Total Net Assets and Liabilities		119 501 238	69 934 603
ASSETS			
Non-current assets		94 399 333	53 266 676
Property, plant and equipment	8	90 581 661	49 712 660
Intangible assets	9	-	-
Investment property	10	-	-
Investment held as a collateral	6	3 817 673	3 554 016
Current assets		25 101 905	16 667 927
Consumer debtors from exchange transactions	11	1 274 271	2 038 122
Sundry debtors from exchange transactions	11	1 009 477	1 018 883
VAT receivable	12	7 346 241	2 389 784
Bank balances and cash	7	15 471 915	11 221 137
Total Assets		119 501 238	69 934 603

**INGQUZA HILL LOCAL MUNICIPALITY STATEMENT OF
FINANCIAL PERFORMANCE For the year ended 30
June 2011**

	Notes	2011 R '1	2010 R '1
REVENUE			
Property rates	13	8 485 304	14 898 261
Service charges - refuse	14	1 177 934	1 058 050
Rental of facilities		29 562	27 635
Interest earned - external investments		1 604 941	575 143
Interest earned - outstanding receivables		-83 284	-760 617
Fines			
Lease rentals		208 366	220 400
Licences and permits		224 008	210 232
Government grants and subsidies	15	24 491	18 123
Other income	16	122 790 985	96 038 250
Proceeds on sale of assets		10 427 052	1 182 088
Total Revenue		-	-
		144 889 358	113 467 564
EXPENDITURE			
Employee related costs	18	46 335 247	41 624 709
Remuneration of Councillors	19	11 400 635	10 901 216
Repairs and maintenance		2 007 667	889 824
Impairment of debtors		5 336 990	11 175 358
Interest paid	20	246 248	524 064
General expenses	23	20 981 900	11 811 464
Total expenditure		86 308 688	76 926 636
SURPLUS FOR THE YEAR		58 580 671	36 540 929

INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2011

	(Accumulated Deficit) / Accumulated Surplus	Total
<u>2 010</u>		
Balance at 01 July 2009	1 643 072	1 643 072
Correction of prior period error	310 443	310 443
Surplus for the year before restated figures	33 238 168	33 238 168
Reported previous year	35 191 683	34 881 240
Correction of prior period error(Note 32) 32	1 871 297	1 871 329
Adjusted surplus for the year	36 540 929	36 540 928.72
	37 062 980	73 293 498
<u>2011</u>		
Balance at 01 July 2010	37 062 980	37 062 980
Change in accounting policy		-
Balance at 01 July 2010	37 062 980	37 062 980
Correction of errors	0.00-	0.00-
Surplus for the year	58 580 671	58 580 671
	95 643 651	95 643 651

**INGQUZA HILL LOCAL MUNICIPALITY CASH
FLOW STATEMENT**

For the year ended 30 June 2011

	Notes	2011 R '1	2010 R '1
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		142 056 292	116 969 953
Cash paid to suppliers and employees		(98 014 648)	(73 322 926)
Cash generated by / (utilised in) operations	29	44 041 644	43 647 027
Investment income		1 604 941	575 143
Interest paid		(246 248)	(524 064)
NET CASH FROM OPERATING ACTIVITIES		45 400 338	43 698 106
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(40 869 001)	(33 129 817)
Proceeds on disposal of PPE		-	-
Investment held as a collateral		(263 657)	(266 547)
NET CASH FROM INVESTING ACTIVITIES		(41 132 658)	(33 396 364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans increase - DBSA		-	-
NET CASH FROM FINANCING ACTIVITIES		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 267 680	10 301 742
Cash and cash equivalents at the beginning of the year		11 204 230	902 488
Cash and cash equivalents at the end of the year	7	15 471 911	11 204 230

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS For the year
ended 30 June 2011

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and we have adopted the requirements exempted in Gazette 30013 of 27 June 2007. The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 24	Presentation of budget information vs actuals
GRAP 26	Impairment of cash generating assets
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible assets

These are the statements that are approved but not yet effective

GRAP 20	Related party disclosures
GRAP 18	Segment reporting GRAP
25	Employee benefits GRAP
104	Financial instruments
GRAP 105	Transfer of functions between entities under common control GRAP 106
	Transfer of functions between entities not under common control GRAP 107
	Mergers

Where there is no equivalent standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards detailed below:

IAS 12 (AC102)	Income Taxes
IAS 14 (AC 115)	Segment reporting
IAS19 (AC 116)	Employee benefits
IAS20 (AC 134)	Accounting for government grants and disclosure of government assistance
IAS24 (AC 126)	Related party disclosures
IAS26 (AC 136)	Accounting and rereporting by retirement benefit plans
IAS29 (AC 124)	Financial reporting in hyperinflationary economies
IAS 30 (AC 120)	Disclosures in the financial statements of banks and similar financial institutions
IAS 32 (AC 125)	Financial instruments: Disclosure and presentation
IAS 33 (AC 104)	Earnings per share
IAS 34 (AC 127)	Interim Financial Reporting
IAS 36 (AC 128)	Impairment of assets
IAS 39 (AC 133)	Financial instruments: Recognition and measurement
IFRS 02 (AC 139)	Share-based payment IFRS 03
(AC 140)	Business combinations IFRS 04 (AC 141)
	Insurance contracts
IFRS 06 (AC 143)	Exploration for and evaluation of mineral resources
IFRS 07 (AC 144)	Financial Instruments: Disclosures

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note below as they apply to the municipality.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS For the year
ended 30 June 2011

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative information

Budget information in accordance with GRAP 1 and 24 has been provided in an annexure to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far practicable and the prior year comparatives are restated accordingly.

1.5 Accounting policies, changes in accounting estimates and errors

The municipality has taken advantage of the interim arrangements with respect to the implementation of GRAP.

1.6 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

2. RESERVES

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

INGQUZA HILL LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended

30 June 2011

2.2 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

2.3 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated deficit while gains or losses on disposal based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services and for administrative purposes and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The municipality has applied the transitional provision, within GRAP17 - Property, plant and equipment, as it relates to measurement and therefore the cost of the assets have been recorded at provisional amounts, namely at R0 per major asset category. There has been no subsequent measurement of property, plant and equipment and therefore no depreciation has been accounted for in the annual financial statements. The municipality has till the end of June 2012 to measure property, plant and equipment in terms of GRAP17.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

3. PROPERTY, PLANT AND EQUIPMENT (Cont.)

3.2 Subsequent measurement - revaluation model (Land and Buildings)

The municipality has applied Directive 4 with regards to GRAP17 - Property, plant and equipment and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2012.

3.3 Depreciation and impairment

As the municipality has applied Directive with regards to GRAP17 - Property, plant and equipment as relates to measurement, no depreciation has been accounted for in the annual financial statements.

3.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4.1 Initial recognition

Investment property includes property (land or a building, or a part of a building, or both land or buildings held under an operating lease) held to earn rentals and / or for capital appreciation, rather than held to meet service delivery objectives, production or supply of goods or services or the sale of an asset in the ordinary course of operations. Investment properties are initially recognised as assets on acquisition date and are initially recorded at cost. The municipality has applied Directive 4 with regards to GRAP16 - Property, plant and equipment (inclusive of investment property), as it relates to measurement and therefore the cost of the assets have been recorded at provisional amounts, namely at R0. There has been no subsequent measurement of property, plant and equipment and therefore no depreciation has been accounted for in the annual financial statements. The municipality has till the end of June 2012 to measure property, plant and equipment in terms of GRAP16.

Where an investment property is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

4.2 Subsequent measurement - revaluation model (Investment property)

The municipality has applied Directive 4 with regards to GRAP16 - Property, plant and equipment (inclusive of investment property) and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2012.

4.3 Depreciation and impairment

As the municipality has applied Directive 4 with regards to GRAP16 - Property, plant and equipment as relates to measurement, no depreciation in respect of investment property has been accounted for in the annual financial statements.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

4. INVESTMENT PROPERTY (Cont.)

4.4 Derecognition

Items of Investment Property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivable are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimates is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6. TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayment, plus interest.

7. CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets, loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on the bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

8. INVENTORIES

8.1 Initial Recognition

The municipality has taken advantage of Directive 4 in the implementation of GRAP, accordingly the municipality is exempted from complying with GRAP 12 to the extent that it relates to immovable capital assets.

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

8.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, working-in-progress and finished goods, are valued at the lower of cost and the net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

9. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial liabilities.

9.1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereof:

Investment in Fixed Deposits (Banking Institutions, etc) Long term
receivables
Consumer debtors
Other debtors
Bank, cash and cash equivalents

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

9. FINANCIAL INSTRUMENTS (continued)

9.1 Financial assets (continued)

Type of financial assets	Classification in terms of IAS 36.06
Short term investment deposits - call	Available for sale
Bank, cash and cash equivalents	Available for sale
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank, cash and cash equivalents	Held at maturity

Financial assets at fair value through profit and loss are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as a fair value through the Statement of Financial Performance. Available for sale

investment are financial assets that are designated as available for sale or are not classified as:

Loans and receivables
Held to maturity investments; or
Financial asset at fair value through the Statement of Financial Performance.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment maturity.

Loans and receivables are non derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are provision for impairment.

9.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereof:

Long term liabilities
Creditors
Bank overdraft
Short term loans
Current portion of long term liabilities

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss (other financial liabilities)

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

9. FINANCIAL INSTRUMENTS (continued)

9.2 Financial liabilities (continued)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchase with the intention to sell or repurchase in the short term, derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short term profiteering or are resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Held to maturity investments and loans and receivables are initially measured at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Fair Value and Available for sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

9.3.2 Financial liabilities

Financial liabilities at fair value and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rates method.

9.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS

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Initially accounts impairment of trade receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Bad debts are written off the year in which they are identify as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9. FINANCIAL INSTRUMENTS (continued)

9.4 Impairment of financial assets (continued)

With the exception of Available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Consumer debtor are stated at cost less a provision for impairment. The provision is made in accordance with IAS 36.64 whereby the recoverability of consumer debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for such accounts are regarded as receivable.

Loans and receivable are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 month, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the assets expires or it transfer the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity, except when the Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retain substantially all the risks and rewards of the ownership and continues to control the transfer asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, the Municipality's obligations are discharged, cancelled or they expire.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

10 RISK MANAGEMENT OF FINANCIAL ASSET AND LIABILITIES

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instrument to which the Municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

10.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

10.2 Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the financial statement

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (this for example applies in the case of obligations for the rehabilitation of the landfill site).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is removed. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

12. LEASES

12.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the payments which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to depreciation of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the cash flows in the lease agreement. The principle of smoothing the current and future lease payments has not been applied. Notwithstanding the exemptions on the recognition of operating lease agreement, the municipality has early adopted IAS 17 (AC 105).

12.2 Municipality as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met.

14. REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passes to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The municipality has opted to take advantage of the exemption on accounting for revenue in terms of GRAP 09. That means revenue has initially been measured at cost and not at fair value wherein all future receipts are discounted at the imputed rate of return.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payments is received, together with an estimate of spot fines and summons that will be received based on past experience of amounts collected.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)

Revenue from public contributions and donations is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (56 of 2003) and is recognised when the recovery thereof from the responsible councils or officials is virtually certain.

15. GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (32 of 2000), the Public Office Bearers Act (20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) For the year ended
30 June 2011

19. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

20. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to contributions.

21. IMPAIRMENT OF ASSETS

The municipality has taken advantage of the transitional arrangements with respect to IAS 36 (AC 128) impairment of assets, meaning that the municipality is exempted from complying with this standard.

22. SEGMENT REPORTING

The municipality has taken advantage of the transitional arrangements with respect to IAS 14 (AC 115) segment reporting, accordingly the municipality is exempted from complying with this standard.

23. EVENTS AFTER THE REPORTING DATE

The municipality considers events that occur after the reporting date for inclusion in the annual financial statements. Events that occur after the reporting date (30 June 2011) and the date on which the audit of the financial statements is completed (30 June 2011) are considered for inclusion in the annual financial statements.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011	2010
	R '1	R '1
1 Accumulated surplus		
Opening balance	(39 723 118)	(5 868 642)
Movements :	(59 284 966)	(33 854 476)
Council	11 400 635	10 901 216
Municipal Manager	3 132 491	2 879 453
Budget & Treasury Office	(68 634 889)	(55 153 026)
Administration	8 486 499	6 949 337
Human Resource	2 600 992	3 200 904
Community & Social Services	12 941 528	14 639 879
Infrastructure	(34 708 490)	(22 794 716)
LED	5 496 268	5 522 478
Adj. Opening balance	<u>(99 008 083)</u>	<u>(39 723 118)</u>
Closing balance	<u>(99 008 083)</u>	<u>(39 723 118)</u>

**INGQUZA HILL LOCAL MUNICIPALITY NOTES TO
THE FINANCIAL STATEMENTS For the year ended
30 June 2011**

	2011 R '1	2010 R '1
2 Long Term Liability		
Loans - DBSA	6 825 840	6 825 840
Interest accrued	114 870	114 870
	<u>6 940 711</u>	<u>6 940 710</u>

The DBSA external loan is repayable in 2019. The fixed interest rate is 6.75% per annum. One bullet payment at the end of term from proceedings of zero coupon bonds. The payment shall commence on the last day of half year during which the first disbursement was advanced to the Borrower. The loan is secured by the investment held with FNB-RMB which was ceded to the DBSA which is an investment on zero coupon bond and has the following details:

Account number - 128331

Type of account – RMB

Value – R3 287 467

3 CURRENT PROVISION

Openning balance	903 531	728 801
Current increase	51 995	174 730
	<u>955 526</u>	<u>903 531</u>

NB: this is the provision for service bonus

INGQUZA HILL LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June 2011

	2011	2010
	R '1	R '1
4 CREDITORS		
Trade creditors and accruals	35 003	2 485 804.22
Payroll creditors	-	6 223 269.18
Provision for Leave Pay	3 372 473	3 354 735.11
Prepaid income	2 536 649	2 113 290.36
Department of labour	1 030 834	-
Balance at the end of the year	6 974 959	14 177 098.87
Sundry creditors		
Interest on DBSA Loan (refer to note 2)	114 870	114 870.49
Other creditors	277 209	122 816.22
	392 080	237 687

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent LED	500 000	-
DME - Electrification	7 496 695	9 010 563
MIG Grant	712 488	1 700 002
	8 709 183	10 710 565

See note 15 for reconciliation of grants from other spheres of government. These unspent conditional grants at year end are directly cash backed as required by the MFMA i.e. at year end there were designated investment bank accounts supporting these unspent grants, however, all unspent conditional grants are classified as current liabilities, to be settled within next 12 months

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011 R '1	2010 R '1
6 NON-CURRENT ASSETS		
Investment held as a collateral - FNB: RMB	3 817 673	3 554 016.00
<p>The investment is with RMB and is pledged as security for loan with DBSA and the municipality has no access to the investment till the loan is repayed in 2010. This investment is on zero coupon bond and has the following details:</p> <p>Account number - 128331 Type of account – RMB Value – R3 287 467 NB: this is a financial asset</p>		
7 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
7.1 Current Account (Primary Bank Account)	2011	2010
Bank statement Balance as at 01 July 2010	757 380	(5 028 730)
Bank statement balance as at 30 June 2011	1 269 181	757 380
Bank statement balance at the end of the year 2010 - overdrawn	-	(16 907)
7.2 Current and call accounts	2011	2010
Meeg - 40-5276-4652 - call account	2 898 785	-
FNB - 6224175712 - primary account	1 240 492.17	40 047
FNB - 62003235307 - call account	1 403 411	11 209
FNB - 62219877836 - call account	169 978	165 648
Meeg - 9191358983 - call account	5 180	5 201
Meeg - 9119635044 - call account	268 758	263 381
Meeg - 9191358488 - call account	5 180	5 202
Std bank - 2800784090 - call account	9 625	10 631
Std bank - 388760435005 - call account	91 665	2 350
FNB - 74233699310 - call account	7 503 209	9 010 563.00
FNB - 62231474537 - call account	1 227 563	1 700 000.00
FNB - 62231473761 - call account	581 039	6 823.00
Cash book balance at the end of the year	15 404 885	11 221 055
Bank statement balance at the end of the year	15 404 885	11 221 055
7.3 Credit cards		
Credit card	43 550	-
Credit card - 42571526747011	22 972	
	66 521	
7.4 Petty cash balance	508	82
Bank and cash balance	15 471 914	11 221 137
Cash and cash equivalents	15 471 914	11 204 230

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

8 PROPERTY, PLANT AND EQUIPMENT At 30
June 2011

8.1 Reconciliation of Carrying Value

Description	Land and buildings	Infrastructure	Community assets	Capitalised leased assets - Motor vehicles	Other assets	Total
	R '1	R '1	R '1	R '1	R '1	R '1
Carrying values at 1 July 2010	3 442 069	39 305 476	-	-	6 965 115	49 712 660
Cost	3 442 069	39 305 476	-	-	6 965 115	49 712 660
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Correction of error	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Acquisitions	-	16 617 869	-	-	705 116	17 322 985
Capital under construction	-	23 546 016	-	-	-	23 546 016
Depreciation:	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	-	-
Cost/revaluation Accumulated depreciation	-	-	-	-	-	-
Impairment loss Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2011	-	-	-	-	-	-
Cost	3 442 069	79 469 361	-	-	7 670 231	90 581 661
Revaluation	3 442 069	79 469 361	-	-	7 670 231	90 581 661.13
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-

NB: No depreciation, impairment and measurement of useful-lives of "Property, Plant and Equipment" was done. The municipality took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2012.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

8.2 ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

										Carrying Value
	Cost / Revaluation					Accumulated Depreciation				
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Completed	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	-	-	-	-	-	-	-	-	-	-
Land and buildings	3 442 069	-	-	-	3 442 069	-	-	-	-	3 442 069
	3 442 069	-	-	-	3 442 069	-	-	-	-	3 442 069
Infrastructure										
Street Lights					-	-	-	-	-	-
Infrastructure - Work in Prog	9 729 772	-	23 546 016	-	33 275 788	-	-	-	-	33 275 788
Access Roads	29 575 704	16 617 869	-	-	46 193 573	-	-	-	-	46 193 573
	39 305 476	16 617 869	23 546 016	-	79 469 361	-	-	-	-	79 469 361
Community assets										
Graveyard Recreation					-	-	-	-	-	-
grounds Community					-	-	-	-	-	-
Halls					-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Leased assets										
Motor vehicles		-	-	-	-	-	-	-	-	-
Other assets										
Landfill site					-	-	-	-	-	-
Fencing pound	-	88 815			88 815	-	-	-	-	88 815
Furniture and fittings	453 378	-			453 378	-	-	-	-	453 378
Plant and equipment	6 108 523	-			6 108 523	-	-	-	-	6 108 523
Motor vehicles	360 640	388 527			749 167	-	-	-	-	749 167
Tools and equipment					-	-	-	-	-	-
Office and traffic equipment					-	-	-	-	-	-
Computer equipment	42 574	227 774			270 348	-	-	-	-	270 348
	6 965 115	705 116	-	-	7 670 231	-	-	-	-	7 670 231
	49 712 660	17 322 985	23 546 016	-	90 581 661	-	-	-	-	90 581 661

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2011

9 INTANGIBLE ASSETS

9.1 Reconciliation of carrying value

as at 01 July 2010

Cost
Correction of error
Change in accounting policy
Accumulated amortisation and impairment losses

Acquisitions

Amortisation

Carrying value of disposals

Cost

Accumulated amortisation

Impairment loss/Reversal of impairment loss

Transfers

Other movements

as at 30 June 2011

Cost

Accumulated amortisation and impairment losses

NB: This is not complied with because of the application of Directive 4

Computer Software

Other*

Total

R

R

R

-

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R	R	R	
as at 01 July 2010	-	-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	-	-	-

10.2 Investment property pledged as security

10.3 Details of property

Investment property Terms

and conditions Purchase price:

date Additions since purchase

Capitalised expenditure

- -

Investment property Terms

and conditions Purchase price:

date Additions since purchase

Capitalised expenditure

- -

10.4 Rental income from investment property

Direct operating expenses from rental generating property

Direct operating expenses from non-rental generating property

10.5 Details of valuation

The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

For investment property, totalling R - (2007: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows.

The following assumptions were used: Discount rate

Other

Other

These assumptions are based on current market conditions.

10.6 Amounts recognised in surplus or deficit for the year.

NB: This statement is not yet complied with because of directive 4

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

11 DEBTORS

11.1 CONSUMER DEBTORS FROM EXCHANGE TRANSACTIONS

	Gross <u>balance</u> R '1	Provision for <u>bad debts</u> R '1	Net <u>balances</u> R '1
As at 30 June 2011			
Business	17 534 048.76	(17 183 368)	350 681
Domestic	16 057 185	(15 736 042)	321 144
Government	4 175 551	-	4 175 551
	<u>37 766 785</u>	<u>(32 919 409)</u>	<u>4 847 376</u>

Discounting effect

Consumer debtors	37 766 785
Finance income	(412 658)
Unearned finance charges	(3 573 105)
Provision for bad debts	(32 506 751)
Debtors @ fair value	<u>1 274 271</u>

As at 30 June 2010

Rates	32 524 811	(27 409 526)	5 115 285
	<u>32 524 811</u>	<u>(27 409 526)</u>	<u>5 115 285 (3 077 163)</u>
Adjusted balance			<u>2 038 122.37</u>

	2011 R	2010 R
<u>Refuse and Rates: Ageing</u>		
0 - 30 days (current)	130 075	140 598
31 - 60 days	102 292	112 395
61 - 90 days	109 336	112 251
91 -120 days	64 411	(867 872)
121 - 150days	109 114	112 024
151 - 180 days	108 273	111 083
181 - 210 days	113 646	11 972 243
211 - 240 days	6 615 688	110 736
241 - 270 days	89 149	110 683
271 - 300 days	97 407	105 529
301 - 330 days	92 065	109 335
331 - 360 days	109 024	109 994
+361 days	30 026 306	20 285 812
Total	<u>37 766 785</u>	<u>32 524 811</u>

Summary of Debtors by Customer Classification

In terms of the financial instruments classification (Note 32), management has classified consumer debtors as loans and receivables for the purposes of assessing credit risk and liquidity (Notes 11.1 and 11.2). The concentration of credit risk has been on residential consumers. Provision for impairment of consumer debtors has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for 98% of outstanding debt bases on collection. In management's professional judgement, no further credit provision is required in excess of the Provision for impairment.

Consumer Debtors comprises a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer Debtors are presented net of provision for impairment.

11.2 Sundry debtors from exchange transactions	<u>1 009 477</u>	<u>1 018 883</u>
12 VAT	<u>7 346 241</u>	<u>2 389 784</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011 R '1	2010 R '1
13 PROPERTY RATES		
<u>Actual</u>		
Rates	8 485 304	14 898 260.82
Finance charge	(2 714 486)	(1 783 583)
Total assessment rates	5 770 818	13 114 678.15
<u>Property valuations</u>		
Rates		
Total property valuations	-	-
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 July 2009. A 0.02 for Government and businesses and 0.015 for residential is applied to property valuations to determine the assessment rates. Rates are levied on an annual basis on property owners.</p>		
14 SERVICE CHARGES		
Refuse charges	1 177 934	1 058 050
Finance charge	(445 960)	(630 026)
	731 973	428 024
15 GOVERNMENT GRANTS AND SUBSIDIES		
National Transfers		
Equitable share	73 505 177	60 075 534.65
Department of Minerals and Energy	16 513 868	10 989 436.72
Municipal Finance Management Grant	1 200 000	1 000 000.00
MIG Grant	27 213 512	20 866 998.70
Provincial Transfers		
MSIG Grant	750 000	735 000.00
Municipal Support Programme	-	2 251 000.00
IEC GRANT	1 050 000	0.00
LED grant	-	0.00
EPWP GRANT	2 113 000	0.00
District Transfers		
IDP Development – Grant	445 428	120 280.00
Total government grants and subsidies	122 790 985	96 038 250.07

NB: there are no transfers(grants) that are made out by the Municipality

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011 R '1	2010 R '1
15 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
15.1 Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. As part of this service, the municipality provides free basic electricity through a formalised mechanism through Eskom.		
	73 505 177	60 075 535
15.2 Department of Minerals and Energy		
Balance unspent at the beginning of the year	9 010 563	-
Current year receipts	15 000 000	20 000 000
Conditions met - transferred to revenue	(16 513 868)	(10 989 437)
Conditions still to be met - transferred to liabilities	7 496 695	9 010 563
This is an electrification support grant. Conditions yet to be met are that the municipality must still utilise this funding for electrification expenditure purposes. This expenditure is only for wards electrification		
15.3 MSIG Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	750 000	735 000
Conditions met - transferred to revenue	(750 000)	(735 000)
Conditions still to be met - transferred to liabilities	-	-
This grant is meant to help with the improvement and upgrading of municipal systems and is only spent on that		
15.4 Municipal Finance Management Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	1 200 000	1 000 000
Conditions met - transferred to revenue	(1 200 000)	(1 000 000)
Conditions still to be met - transferred to liabilities	-	-
This grant is spent on capacity building on BTO officials and S57 managers and Internship		
15.5 IDP Development - Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	445 428	120 000
Conditions met - transferred to revenue	(445 428)	(120 000)
Conditions still to be met - transferred to liabilities	-	-
This is the grant spent on IDP and Budget related purposes		
15.6 MIG Grant		
Balance unspent at the beginning of the year	1 700 001	4 000 000
Current year receipts	26 226 000	18 567 000
Conditions met - transferred to revenue	(27 213 512)	(20 866 999)
Conditions still to be met - transferred to liabilities	712 489	1 700 001
This is an infrastructure support grant. Conditions yet to be met are that the municipality must still utilise this funding for Capital expenditure purposes, this grant is only spent on road construction and community halls		
15.7 IEC GRANT		
Balance unspent at the beginning of the year	-	-
Current year receipts transferred to revenue	1 050 000 - Conditions met - (1 050 000)	-
Conditions met - transferred to revenue	-	-
This was spent on roads repairs and maintenance during the IEC period		
15.8 LED PROJECTS		
Balance unspent at the beginning of the year	-	-
Current year receipts transferred to revenue	500 000 - Conditions met -	-
Conditions met - transferred to revenue	500 000	-
Conditions to be met by building hawker stalls		
15.9 EPWP GRANT		
Balance unspent at the beginning of the year	-	-
Current year receipts transferred to revenue	2 113 000 - Conditions met - (2 341 580)	-
Conditions met - transferred to revenue	(228 580)	-

EPWP assist in the road construction and maintenance and road fencing

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2011

16	Other Income	2011 R'1	2010 R'1
	ADVERTISING FEES RENTAL	138 696	129 829
	FUNERAL FEES	13 684	10 219
	PLANT HIRE	7 594 875	540
	LG SETA	24 000	16 004
	INSURANCE REFUND	-	10 633
	PLAN FEES	119 962	109 231
	POUND FEES	19 915	31 547
	REZONING & SUBDIVISION	2 763	9 346
	SALE OF SITES	-	30 472
	SALE OF WOOD	58 589	59 115
	PAYMENT SUSPENSE	116 002	-
	NATIS AGENCY FEES	2 271 370	2 264 063
	SUNDRY INCOME	2 040	1 026
	TENDER DOCUMENTS	51 704	72 500
	ADJUSTMENTS	-	(1 572 328)
	VENDING & HAWKING	13 450	9 890
		<u>10 427 052</u>	<u>1 182 088</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011	2010
	R '1	R '1
17 Municipal Support Programme		
Balance unspent at the beginning of the year	-	-
Current year receipts	-	2 251 000
Conditions met - transferred to revenue	-	(2 251 000)
Conditions still to be met - transferred to liabilities	-	-
18 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	32 260 677	32 559 396
Employee related costs - Contributions for UIF, provident, m/aid, etc	5 689 377	1 603 592
Travel, motor car, accommodation, subsistence	2 672 064	2 196 952
Overtime payments	2 480 417	2 371 916
Housing benefits and allowances	1 237 048	1 132 305
Provision for Bonus	1 995 664	1 760 549
Total employee related costs	46 335 247	41 624 709
Remuneration of the Municipal Manager		
Annual remuneration	715 425	624 907
Car allowance	129 141	131 943
Contribution to UIF and related items	17 771	50 346
	862 338	807 196
Remuneration of the Chief Finance Officer		
Annual remuneration	613 794	529 271
Car allowance	98 800	126 468
Contribution to UIF and related items	30 340	16 239
	742 934	671 978
Remuneration of the Corporate Services		
Annual remuneration	608 395	531 797
Car allowance	134 551	120 834
Contribution to UIF and related items	0	42 787
	742 947	695 418
Remuneration of the Technical Services		
Annual remuneration	102 316	529 271
Car allowance	16 000	126 468
Contribution to UIF and related items	52 750	29 231.00
	171 066	684 970
Remuneration of the Community Services		
Annual remuneration	608 395	531 797
Car allowance	134 551	120 834
Contribution to UIF and related items	0	42 787
	742 947	695 418
Remuneration of the Strategic Planning		
Annual remuneration	608 395	531 787
Car allowance	134 551	115 660
Contribution to UIF and related items	0	42 787
	742 947	690 234

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011	2010
	R '1	R '1
19 REMUNERATION OF COUNCILLORS		
Mayor		
Annual remuneration	429 747	424 786
Allowances, contribution to UIF and related items	159 998	150 268
	589 745	575 054
Speaker		
Annual remuneration	343 832	363 504
Allowances, contribution to UIF and related items	122 779	123 897
	466 611	487 401
Chief Whip		
Annual remuneration	179 617	175 446
Allowances, contribution to UIF and related items	70 204	65 646
	249 821	241 093
Exco members		
Annual remuneration	1 616 550	1 579 018
Allowances, contribution to UIF and related items	631 836	590 814
	2 248 386	2 169 833
Councillors		
Annual remuneration	5 660 243	5 342 851
Allowances, contribution to UIF and related items	2 185 830	2 084 985
	7 846 073	7 427 836
Total remuneration for councillors	11 400 635	10 901 216
20 INTEREST PAID		
Long term liabilities	460 745	524 064
Bank overdraft	-	-
Total interest on external borrowings	460 745	524 064
21 CHANGE IN ACCOUNTING POLICY		
21.1 Provision for the landfill site rehabilitation	-	-
This provision is not made in current financial year because the Municipality is still under Directive 4		
22 COUNCILLORS OWING RATES		
1. C N Yako	71 630	-
2. K Mviko	46 596	-
TOTAL	118 226	-
NB: These are the Councillors with accounts in arrears for more than 90 days		

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the
year ended 30 June 2011

23	GENERAL EXPENDITURE	2011 R'1	2010 R'1
	ACCOUNTING AND AUDIT FEES	1 882 430	723 124
	ADVERTISING FEES	117 713	101 225
	DATA LINES	70 855	59 167
	BANK CHARGES	100 627	855 388
	CATERING - MEETINGS	89 565	261 992
	CLEANING MATERIALS	15 053	48 358
	TOWING SERVICES	5 415	1 500
	CONFERENCE FEES/WORKSHOP & ACC	18 050	137 262
	CONSULTANTS & PROF. FEES	1 257 584	2 080 674
	HEALTH SERVICE	5 741	5 874
	EPWP	2 341 580	-
	EARLYCHILDHOOD DEVELOPMENT	16 930	-
	EQUITABLE SHARE	371 125	387 840
	ELECTRICITY AND WATER PURCHASE	228 905	179 701
	CONVERSION OF AFS	403 362	798 325
	CRIME PREVENTION	-	5 396
	INTERNAL AUDIT	-	31 421
	IDP DEVELOPMENT	128 037	242 484
	INSURANCE : EXTERNAL	410 207	463 353
	PAYMENT SUSPENSE	1 000	-
	LEGAL FEES	1 060 692	1 098 689
	LICENCE FEES	39 915	92 959
	IDP & BUDGET	286 703	242 484
	PAUPER BURIALS	3 018	3 600
	POSTAGE	4 243	637
	PRINTING AND STATIONERY	271 986	248 701
	DISASTER MANAGEMENT	-	29 453
	PROTECTIVE CLOTHING	105 338	53 685
	PUBLIC PARTICIPATION	13 550	44 881
	LIBRARY SERVICES	35 683	-
	RENT - OFFICE EQUIPMENT	92 103	273 116
	SUBSISTENCE & TRAVELLING	677 819	534 392
	SURVEY AND PLANNING	393 497	372 070
	SPECIAL PROGRAMMES	171 963	110 606
	SPORTS & RECREATION	31 240	-
	TELEPHONE	1 241 670	1 722 291
	PORVERTY ALLEVIATION	85 965	89 500
	TEAM BUILDING	15 575	1 750
	TRAINING - OFFICIALS	437 970	170 484
	VODACOM	184 446	63 916
	BEACH MANAGEMENT	82 500	59 711
	PLANT UNIT	3 967 557	268 825
	ARTS & CULTURE	64 455	-
	MUNSOFT & PAYDAY	423 533	297 783
	SUPPORT TO TRADITIONAL LEADERS	168 361	48 930
	Vat	-	535 502
	HOTEL ACCOMMODATION	385 977	661 426
	REFUSE BAGS	161 438	139 581
	COUNCIL FUNCTION	47 522	-
	VEHICLES - FUEL & OIL	1 675 821	1 402 294
	TRAFFIC LAW ENFORCEMENT	100 370	-
	VEHICLE HIRE	749 131	494 734
	CLEANING & GREENING	19 535	-
	HIV & AIDS	50 000	14 340
	MAYORAL FUND	-	191 312
	COMPUTER HARDWARE	17 757	26 764
	ALLOWANCE WARD ADMIN	-	541 783
	DEPARTMENT OF TRANSPORT	-	172 372
	COMPUTER SOFTWARE	23 421	-
	LOCAL ECONOMIC DEVELOPMENT	426 967	92 948
	MIG EXPENDITURE	-	(2 237 429)
	EXPENDITURE	-	(497 068)
		20 981 900	11 811 464

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

2011
R '1

2010
R '1

24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	15 471 915	11 221 137
Bank overdraft	-	(16 907)
Total cash and cash equivalents	15 471 915	11 204 230

25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

25.1 Irregular expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Irregular expenditure current year - adverts not in the notice board	7 954 936	-
Irregular expenditure current year - adverts for less than 14 days	26 026 950	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Total irregular expenditure for the year	33 981 886	-

Incident	Disciplinary steps / criminal proceedings
This is the procurement of goods and services above R 30 000(inl. Vat) without advertising them on the municipal notice board and website for atleast seven days and adverts for less than 14 days before closing date. This is as a result of the ambiguity in the Treasury SCM regulation. Three quotations were obtained	None.

INGQUZA HILL LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June 2011

	2011 R '1	2010 R '1
25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
25.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	888 325	-
Fruitless and wasteful expenditure current year	301 509	888 325
Condoned or written off by Council	(888 325) - Transfer to	
receivables for recovery	-	-
Irregular expenditure awaiting condonement	301 509	888 325

Incident	Disciplinary steps / criminal proceedings
PAYE, UIF and SDL penalty and interest for non payment of these statutory deduction resulted in expenditure Included in the reported amount there is interest paid to Department of Labour for compensation commissioner	NA

25.3 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year		
Approved by Council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps / criminal proceedings
Not applicable	Not applicable.

26 PROVISION FOR LAND-FILL SITE

Opening balance	-	-
Adjustments	-	-
Closing balance	-	-

NB: this has not been complied with because of the application of the transitional provisions in Directive 4

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011 R '1	2010 R '1
27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
27.1 Audit fees		
Opening balance	842 844	554 143
Current year audit fee	2 709 037	1 011 825
Amount paid - current year	(3 551 881)	(723 124)
Amount paid - previous years		
Balance unpaid (included in creditors)	-	842 844
27.2 VAT		
VAT input receivables are shown in note 12.	7 346 241	2 389 784
27.3 PAYE and UIF		
Opening balance	5 141 700	429 271
Current year payroll deductions	-	5 141 700
Amount paid - current year	(5 141 700)	(429 271)
Amount paid - previous years	-	0.00-
Balance unpaid (included in creditors)	-	5 141 700
27.4 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and council contributions	-	3 171 164
Amount paid - current year	0.00-	(3 171 164)
Amount paid - previous years	-	0
Interest on arrears		
Balance unpaid (included in creditors)	-	-
28 CONTINGENT LIABILITY	Amount claimed	Amount claimed
Litigations that are still pending	1 647 191	551 052
These are employees with cases that are still pending and / or under arbitration process from which the outcome may favour any of the two parties involved. These employees are still on suspension pending their cases.		

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

	2011	2010
	R '1	R '1
29 CASH GENERATED/(UTILISED) BY OPERATIONS		
Surplus/(deficit) for the year	58 580 671	36 540 929
Adjustment for:	-	-
Depreciation	-	-
Proceeds on sale of assets	-	-
Prior year adjustment	-	(6 457 850)
Investment income	(1 604 941)	(575 143)
Interest paid	246 248	524 064
Operating surplus/(deficit) before working capital changes:	57 221 977	30 032 000
Increase in inventories	-	-
Decrease in consumer debtors	763 852	1 624 798
(Increase)/decrease in other debtors	9 406	-
Increase in creditors	(6 995 752)	3 290 276
Decrease in VAT	(4 956 456)	246 251
Decrease in unspent conditional grants and receipts	(2 001 382)	8 649 201
Cash generated by / (utilised in) operations	44 041 644	43 842 526

30 30.1 GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to the going concern. This presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependant on a number of factors.

1. Liquidity - in terms of section 214 of the Constitution of RSA (Act 108) the parliament is instructed to provide for an Act (DORA) that will enable the National Government to raise and collect revenue from all sources and distribute it equitably to both Provincial and Local Government (Municipalities). Allocation for 2011/12 is R 97.1m and R 107.5m for 2012/13

2. Debtors collection - to fully comply with the credit control and debt collection policy the Municipality is procuring the services of the skilled debt collector to collect the outstanding debts from business and residents, we are embarking on a revenue enhancement programme.

3. Statutory payments - the municipality has settled all the major debts that were long outstanding including AGSA and SARS. The most significant of these is that the Accounting Officer continue to procure funding for the on-going operations of the Municipality. However the Municipality is positively recovering from a severe financial constraints. This is evident by the fact that non of the Municipality's creditors has been outstanding for a over than 30 days and there fact that there has been no overdraft in the current financial year. The sitting of Council meetings has improved in the current year, the council meetings that took place were 7 times to discuss strategic documents

30.2 EVENTS AFTER THE REPORTING DATE

There are no major or significant activities that took place after year end which may pose as a threat to assets and/or liabilities as reported in annual financial statements of the Municipality after 30 June 2011 but befor 31 August 2011

31 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance performance with that budgeted is set out in Note 35

INGQUZA HILL LOCAL MUNICIPALITY NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June
2011

32	Prior year adjustments	Sub-note	R'1 Dr/Cr
	The following restatements have been affected to prior period account balances and classes of transactions due to errors which have been identified		
	Bank balances and cash		
	Balance previously reported		12 789 552
	Duplication of transfers	32.1	(1 500 000)
	Bank reconciliation items	32.2	(68 413)
	Restated balance		11 221 139
	Unspent conditional grants and receipts		
	Balance previously reported		(12 649 201)
	MIG incorrectly recorded	32.3	1 938 638
	Restated balance		(10 710 563)
	Government grants and subsidies		
	Balance previously reported		(94 099 614)
	MIG incorrectly recorded	32.3	(1 938 638)
	Restated balance		(96 038 252)
	Effect on Accumulated Surplus		(1 938 638)
	General expenses		
	Balance previously reported		12 485 263.00
	Vat re-allocation	32.4	(176 731)
	Restated balance		12 308 532
	Effect on Accumulated Surplus		(176 731)
	VAT receivable		
	Balance previously reported		1 796 029.00
	Vat re-allocation	32.4	176 731.00
	Restated balance		1 972 760.00
	Property rates		
	Balance previously reported		(15 391 779)
	Effect of discounting of debtors	32.5	493 518
	Restated balance		(14 898 261)
	Effect on accumulated surplus		493 518
	Service charges - Refuse		
	Balance previously reported		(1 228 086)
	Effect of discounting of debtors	32.5	170 036
	Restated balance		(1 058 050)
	Effect on accumulated surplus		170 036

Interest earned - outstanding receivables

Balance previously reported		-
Effect of discounting of debtors	32.5	(663 554)

Restated balance		<u>(663 554)</u>
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Effect on accumulated surplus		(663 554)
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Other income

Balance previously reported		(2 891 379)
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Duplication of transfers	32.1	1 500 000
Bank reconciliation items	32.2	68 413
Re-classification of lease income	32.6	140 878

Restated balance		<u>(1 182 088)</u>
------------------	--	--------------------

Effect on accumulated surplus		1 709 291
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Lease rentals

Balance previously reported		-
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Re-classification of lease income	32.6	(140 878)
Lease rentals raising	32.7	(69 353)

Restated balance		<u>(210 231)</u>
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Effect on accumulated surplus		(210 231)
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Sundry debtors

Balance previously reported		949 529
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Lease rentals raising	32.7	69 353
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Restated balance		<u>1 018 882</u>
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Prior year error correction

Effect on accumulated surplus	32.8	(3 915 126)
Balance previously reported		(4 225 569)

Balance reported		<u>(310 443)</u>
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Prior year error correction

Effect on consumer debtors	32.9	(3 077 163)
Balance previously reported		5 115 285

Balance reported		<u>2 038 122</u>
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Accumulated surplus

Balance previously reported		(39 106 809)
MiG incorrectly recorded	32.3	(1 938 638)
Vat re-allocation	32.4	(176 731)
Effect of discounting of debtors	32.5	493 518
Effect of discounting of debtors	32.5	170 036
Effect of discounting of debtors	32.5	(663 554)
Duplication of transfers	32.1	1 500 000
Bank reconciling items	32.2	68 413
Re-classification of lease income	32.6	140 878
Re-classification of lease income	32.6	(140 878)
Lease rentals raising	32.7	(69 353)
Reversals	32.8	3 915 126
Unearned interest	32.9	3 077 163
Restated balance		(32 730 829)

SUB-NOTES**32.1 Duplication of transfers**

During the 2010 financial year, transfers were duplicated in cash book which have corrected as follows:

32.2 Bank reconciling items

During the 2010 financial year, reconciling items were identified as not being valid which has now been corrected

32.3 MIG incorrectly recorded

During the 2010 financial year, reconciling items were identified as not being valid which has now been corrected

32.4 VAT re-allocation

VAT portion was not allocated to the vat control account for 2010 accruals

32.5 Effect of discounting of debtors

The effect of the time value of money on the collection of debtors has been taken to account and resulted in the re-allocation of revenue from rates and services to interest income

32.6 Re-classification of lease income

Lease income has been identified in 2010 has been re-classified from other income to lease rentals

32.7 Lease rental raising

Lease rentals has been adjusted with lease amounts not correctly raised in 2010
Consequently, lease rentals and sundry debtors have been adjusted with 69 353

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2011

33 Financial Instruments

33.1 Financial assets

2011	Consumer debtors	Sundry debtors	Investment held as collateral	Bank and Cash	Held to maturity	Total
	R'1	R'1	R'1	R'1	R'1	R'1
Opening balance	2 038 122	1 018 883	3 554 016	11 221 137	-	20 909 322
Net gains or losses recognised directly i	(1 176 509)	(9 406)		4 250 778		3 560 804
Interest income	412 658					412 658
Impairments						-
Net other movements	-	-	263 657	-	-	263 657
Closing balance	1 274 271	1 009 477	3 817 673	15 471 915	-	25 146 441

Maximum credit exposure -

Interest income includes:

Interest on financial assets that are not at fair value through profit and loss

Subsequent interest on impaired financial assets

-

2010 Consumer debtors	Sundry debtors	Investme nt held as colater al	Bank and Cash	Held to maturity	Total
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	R'1	R'1	R'1	R'1	R'1	R'1
Opening balance						-
						-
						-
Interest income	663 554					663 554
Impairments						-
Net other movements	1 374 568	1 018 883	3 554 016	11 221 137	-	17 168 604
Closing balance	2 038 122	1 018 883	3 554 016	11 221 137	-	17 832 158

Interest income includes:

Interest on financial assets that are not at fair value through profit and loss
Subsequent interest on impaired financial assets

-

Disclosed in the Statement of Financial Performance

	2011 R'1	2010 R'1
Fee income	412 658	663 554
On financial assets/liabilities not at fair value through profit and loss	412 658	663 554
Trust and/or other fiduciary activities		
Other fee income		

Disclosed in the Statement of Financial Position

	2011 R'1	2010 R'1
Trade and other Receivables	4 847 376	5 115 286
Trade and other Receivables	1 009 477	1 018 883
Investment held as a colatera	3 817 673	3 554 016
Cash and cash equivalents	15 471 915	11 221 137

NB: The disclosures in IFRS 7.20 can either be presented in a list format as shown above or in a tabular format, depending on the preference of the user.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2011

33.2 Financial liability

2011	FVTP - Held for trading R'1	Designated at FV through P/L R'1	Loans and payables R'1	Total R'1
Opening balance	10 710 565	14 414 786	6 825 841	31 951 192
Interest expense				-
Net other movements	(2 001 382)	(7 055 562)	(1)	(9 056 945)
Closing balance	8 709 183	7 359 224	6 825 840	22 894 247

Interest expense include:

Interest on financial liabilities that are not at fair value through profit and loss -

2010	Held for trading R'1	Designated at FV through P/L R'1	Loans and payables R'1	Total R'1
Opening balance				-
Interest expense		-		-
Net other movements	10 710 565	14 414 786	6 825 841	31 951 192
Closing balance	10 710 565	14 414 786	6 825 841	31 951 192

Interest expense includes:

Interest on financial assets that are not at fair value through profit and loss

	2011 R'1	2010 R'1
Disclosed in the Statement of Financial Performance		
Fee expenses	575 615	575 615
On financial assets/liabilities not at fair value through profit and loss		
Trust and/or other fiduciary activities		
Other fee expenses	575 615	575 615

Categories of financial instruments	2011 R'1	2010 R'1
Unspent conditional grants	8 709 183	10 710 565
Trade creditors & other payables	7 359 224	14 414 786
Loans and payables	6 825 840	6 825 841
Overdraft	-	16 907
	22 894 247	31 968 099

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2011

33.3 Qualitative disclosure:

Key assumptions

Credit risk

Ingquza Hill Local Municipality has a very serious credit risk because of the debtors that are not paying for rates and taxes together with services. The Municipality has since engaged the use of a Debt collector to collect monies owed by the debtors and the Council has also resolved to right off the opening balances of the debts

Liquidity risk

The Ingquza Hill Local Municipality does not foresee any threat with regards to servicing of its debts utilising assets that can be quickly converted into cash and cash equivalents because the municipality is committing guaranteed income when budgeting to avoid the use of external loans and overdrafts to finance its operations.

Market risk

Interest rate risk

Not applicable to the Municipality, the loan with DBSA has a fixed interest rate of 7.5% per annum payable 6 monthly twice a year.

Foreign currency risk

Not applicable to the Municipality because the Municipality does not deal with foreign currency and banks with the approved financial institutions in the Country

Price risk

Not applicable to the Municipality

**INGQUZA HILL LOCAL MUNICIPALITY NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June
2011**

34 RELATED PARTY TRANSACTIONS

34.1 Interest of related parties

Councillors and/or managers of the municipality that have relationships with businesses as indicated below:

Name	Designation	Description of Related Party Relationship
B Nkungu	Councillor	Nkungu Investments

34.2 Services rendered to related parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

34.3 Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No

34.4 Purchases from related parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

However: the Municipality did procure the services of **NKUNGU INVESTMENTS** in the current year for the construction of Mpoza to Mjikallale Access Road, this project was awarded before the owner was elected as Councillor on May 2011
The transactions were concluded in full compliance with the municipality's Supply Chain Management

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

35 Actual versus budget (Revenue and expenditure)

Actual 2010	Description	Actual 2011	Approved Budget 2011	Difference	Management reasons
	Revenue				
14 898 261	Taxes	8 485 304	9 411 151	925 847 (82	6%
238 523	Fees, fines, penalties & licences	232 857	150 000	857)	Improved collections on fines, summons, etc Improved demand on sale transaction & other revenue sources
1 110 443	Revenue from exchange transactions	2 953 161	1 250 000	(1 703 161) (3	3%
96 038 250	Transfers from other governments	122 790 985	119 009 528	781 457)	Decrease in demand from customers for these services
1 182 088	Other operating	10 427 052	24 313 200	13 886 149	
113 467 564	Total revenue	144 889 358	154 133 879	9 244 521	6%
	Expenses				
(52 525 925)	Personnel	(57 735 882)	(66 168 902)	(8 433 019) (2	Some posts remain vacant in the year
(23 876 647)	Administrative Transfer payments	(28 326 558)	(30 831 379)	504 822)	8%
-	Capital expenditure	-	-	-	Some projects are still pending and funds reported as such
-	Miscellaneous	(40 869 001)	(57 969 125)	(17 100 124)	
-	Finance costs	-	-	-	Decrease due to adjustments, by banks and SARS
(524 064)	Total expenditure	(246 248)	(705 732)	(459 484)	
(76 926 636)		(127 177 689)	(155 675 138)	(28 497 449)	

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year
ended 30 June 2011

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SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR

ENDED 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Transfer / Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Municipal council	361 693	388 527	-	-	750 220	-	-	-	-	750 220
Management office	1 053	-	-	-	1 053	-	-	-	-	1 053
Budget and treasury	92 020	-	-	-	92 020	-	-	-	-	92 020
Community & Social Services	97 755	88 815	-	-	186 570	-	-	-	-	186 570
Human resources	170 690	227 774	-	-	398 464	-	-	-	-	398 464
Local Economic Development	89 945	-	-	-	89 945	-	-	-	-	89 945
Infrastructure and engineering	38 312 872	16 617 869	23 546 016	-	78 476 757	-	-	-	-	78 476 757
Total	39 126 028	17 322 985	23 546 016	-	79 995 029	-	-	-	-	79 995 029

37

37

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REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE INGQUZA HILL LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Ingquza Hill Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010, as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ingquza Hill Local Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures have been restated. The restatements resulted from errors identified during the financial year ended 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

Fruitless and wasteful expenditure

10. Fruitless and wasteful expenditure amounting to R301 509, relating to penalties and interest incurred, was disclosed in note 25.2 to the financial statements.

Irregular expenditure

11. As disclosed in note 25.1 to the financial statements, irregular expenditure of R33 981 886 was incurred by the municipality during the financial year in contravention of supply chain management (SCM) requirements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Presentation of information

13. The reported performance against predetermined objectives was deficient in respect of the following criterion:
 - Performance against predetermined objectives is reported in accordance with section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).

14. The following audit finding relates to the above criterion:

Measures taken to improve performance not provided in the performance report

- Measures taken to improve performance were not explained in the report on predetermined objectives for targets not met in both of the programmes selected for testing. None of the variances identified (i.e. where targets were not met) had measures provided to improve performance.

Usefulness of information

15. The reported performance information was deficient in respect of the following criteria:

- Consistency: The reported objectives, indicators and targets are consistent with the approved integrated development plan.
- Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound.

16. The following audit findings relate to the above criteria:

Planned targets were inconsistent with those in the performance report

- Reported development priorities and targets were not consistent when compared to planned development priorities and targets. Due to the recurring inconsistencies, the reported targets could not be adequately compared to the planned targets.

Planned and reported targets not measurable (measurability)

- For both the selected programmes, 76% of the planned and reported targets were not measurable in that they did not identify the required level of performance.

Planned and reported targets not time bound (measurability)

- For both the selected programmes, 60% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.

Planned and reported indicators not well defined (measurability)

- For the selected programmes, 76% of the planned and reported indicators were not clear, as well-defined data definitions were not available to allow for data to be collected consistently.

Planned and reported indicators not verifiable (measurability)

- For the selected programmes, valid performance management processes and systems that produced actual performance against the planned indicators did not exist for 60% of the indicators.

Reliability of information

17. The reported performance information was deficient in respect of the following criteria:

- Validity: The reported performance did occur and pertains to the entity.

- Accuracy: The amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

18. The following audit finding relates to the above criteria:

Reported performance against indicators not valid, accurate or complete when compared to source information (reliability)

- For the selected programmes, 60% of the reported indicators were not valid, accurate or complete based on the source information or evidence provided.

Compliance with laws and regulations

Strategic planning and performance management

19. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1)(a)(ii) of the MFMA.
20. The integrated development plan did not include the key performance indicators and performance targets determined in accordance with the performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and Municipal Planning and Performance Management Regulation 12.

Annual financial statements, performance report and annual report

21. The financial statements submitted for auditing did not comply with section 122(1) of the MFMA. Material misstatements were identified during the audit and these were corrected by management.
22. The mayor did not table the 2009-10 annual report of the municipality in the council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
23. The accounting officer did not make the 2009-10 annual report public immediately after the annual report was tabled in the council, as required by section 127(5) of the MFMA.
24. The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009-10 annual report was tabled in the council, as required by section 129(1) of the MFMA.
25. The accounting officer did not make public the council's oversight report on the 2009-10 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.
26. The performance report for the financial year under review was not prepared, as required by section 46 of the MSA and section 121(3)(c) of the MFMA.

Audit committee

27. The audit committee did not function as required by section 166 of the MFMA, in that:

- It did not advise the council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to internal financial control and internal audits, risk management, performance management, effective governance, compliance with applicable legislation and performance evaluation.
 - It did not meet at least four times during the year.
28. The audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
29. The audit committee did not advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 166(2)(a) of the MFMA.
30. The performance audit committee did not perform the following as required by Municipal Planning and Performance Management Regulation 14:
- Meet at least twice during the financial year.
 - Review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality.
 - Review the municipality's performance management system and make recommendations in this regard to the council of the municipality.
 - Submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Internal audit

31. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
- It did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
 - It did not report to the audit committee on the implementation of the internal audit plan.
 - It did not advise the accounting officer on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management as well as loss control.
32. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b) of the MFMA.
33. The internal audit processes and procedures did not include assessments of the functionality of the municipality's performance management system and whether the system complied with the requirements of the MSA, as required by Municipal Planning and Performance Management Regulation 14.
34. The internal audit processes and procedures did not include assessments of the extent to which the municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators, as required by Municipal Planning and Performance Management Regulation 14.
35. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal

manager and the performance audit committee, as required by Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

- 36. Invitations for competitive bidding were not always advertised for the required minimum period as per the requirements of SCM Regulation 22(1) and 22(2).
- 37. The entries in the procurement register and the bid results were not published on the website of the municipality as per the requirements of SCM Regulation 23(c).
- 38. Awards were made to providers who were persons in the service of other state institutions or whose directors or principal shareholders were persons in the service of other state institutions, in contravention of the requirements of SCM Regulation 44. Furthermore, the providers failed to declare that they were in the service of the state as required by SCM Regulation 13(c).
- 39. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM Regulation 46(2)(e) and the code of conduct for councillors issued in terms of the MSA.

Expenditure management

- 40. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

- 41. Interest was not charged on all accounts in arrear, as required by section 64(2)(g) of the MFMA.

INTERNAL CONTROL

- 42. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the material audit adjustments, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

- 43. The accounting officer did not review the financial statements prior to their submission for auditing. The lack of daily, monthly and quarterly review and monitoring resulted in misstatements or errors in the transactions, balances and disclosure line items, which were identified by the auditors during the audit process. The accounting officer did not implement sufficient monitoring controls to ensure adherence to the internal policies and procedures at a programme or objective level, resulting in significant control deficiencies identified during the audit process relating to the reporting and presentation of predetermined objectives.
- 44. The accounting officer did not exercise oversight over adherence to the SCM Regulations, resulting in irregular expenditure that was incurred during the year.

Financial and performance management

45. The financial statements and report on predetermined objectives submitted to the auditors for audit proposes contained numerous misstatements and errors. This was mainly due to municipal staff not performing or implementing daily financial reporting controls throughout the financial year, including the daily processing of transactions, the monthly reconciliation of accounts, and continuous reviewing. The monitoring of controls was not adequate to ensure that all transactions were accounted for accurately and completely.
46. Policies and procedures that will ensure that all transactions are accounted for in terms of reporting framework (GRAP) requirements were not developed and communicated to staff members in the finance section. As a result, the auditors identified material misstatements or errors not accounted for in terms of GRAP.
47. Established internal control practices were not effective as they did not detect or prevent non-compliance with laws and regulations identified during the audit process.

Governance

48. The municipality did not have an audit committee and an internal audit function that promoted accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations. Furthermore, these bodies did not carry out their responsibilities in a manner consistent with the requirements of the MFMA. The interventions and mechanisms used were not appropriate as they did not prevent or detect significant control deficiencies in the municipality's internal control system, as evidenced by the numerous errors in the financial statements submitted to the auditors for audit proposes, weaknesses in the reporting of predetermined objectives, and non-compliance with SCM Regulations. The internal audit unit did also not enforce and monitor management's implementation of its recommendations on daily control weaknesses.
49. The internal audit unit did not assist management in maintaining effective and efficient controls over the information system environment, the reliability and integrity of financial and performance information, and compliance with laws and regulations.

Auditor-General

East London

29 November 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.3 Action Plan for Audit Report

EMPHASIS OF MATTERS

AUDIT REPORT FINDING:	Budget and Treasury Para. 10	Fruitless and wasteful expenditure amounting to R301 509, relating to penalties and interest incurred, was disclosed in note 25.2 to the financial statements			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury - CFO			By management	By Auditor General
		Already been done all the payments are paid within 30 days.	30-Apr-12		

EMPHASIS OF MATTERS

AUDIT REPORT FINDING:	Budget and Treasury Para.11 Irregular expenditure	As disclosed in note 25.1 to the financial statement, irregular expenditure of R33 981 886 was occurred by the municipality during the financial year in contravention of supply chain management (SCM) requirements.			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury			By management	By Auditor General

	- CFO	<p>_The municipality will stick on SCM Regulation and adjust the turn around to 8 days.</p> <p>_All the tenders , they will be taking the process of permanent specification committee before they advertised.</p> <p>_ The municipality will integrate the request of the Quotations to the website.</p>	30-Apr-12	gement	
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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

AUDIT REPORT FINDING:	<p>Predetermined objectives</p> <p>Measures taken to improve performance not provided in the performance report</p> <p>Para. 14</p>	<p>_Measures taken to improve performance were not explained in the report on predetermined objectives for targets not met in both of the programmes selected for testing. None of the variances identified (i.e. where targets were not met) had Measures provided to improve performance.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM' Office _AO			By management	By Auditor General

REPORT ON OTHER LEGAL AND

REGULATORY REQUIREMENTS

AUDIT REPORT FINDING:	Usefulness of information Para. 15	The reported performance information was deficient in respect of the following criteria: _Consistency: The reported objectives, indicators and targets are consistent with the approved integrated integrated development plan. _Measurability: Indicators are well defined and verifiable, and targets are specific measurable and time bound.			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRESS REPORT	
	MM's Office - AO			By management	By Auditor General

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

AUDIT REPORT FINDING:	Usefulness of information Para. 16	The following audit findings relate to the above criteria: Planned targets were inconsistent with those in the performance report _Reported development priorities and targets were not consistent when compared to planned development priorities and targets. Due to the recurring inconsistencies, the reported targets could not be adequately compared to the planned targets. Planned and reported targets not measurable (measurability) _For both the selected programmes, 76% of the planned and reported targets were not measurable in that they did not identify the required level of performance.
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		<p>Planned and reported targets not time bound (measurability) _ For both the selected programmes, 60% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.</p> <p>Planned and reported indicators not verifiable (Measurability) _ For the selected programmes, 76% of the planned and reported indicators were not clear, as well-defined data definitions were not available to allow for data to be collected consistently.</p> <p>Planned and reported indicators not verifiable (Measurability) _ For the selected programmes, valid performance management processes and systems that produced actual performance against the planned indicators did not exist for 60% of the indicators</p>			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Strategic and Planning Development - Manager			By management	By Auditor General

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

AUDIT REPORT FINDING:	Reliability of information	The reported performance information was deficient in respect of respect of the following criteria:
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	Para. 17	_Validity: The reported performance did occur and pertains to the entity. _Accuracy: The amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately. _Completeness: All actual results and events that should have been recorded included in the reported performance information.			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office - AO			By management	By Auditor General
			30-Apr-12		
AUDIT REPORT FINDING:	Para. 18.	The following audit finding relates to the above criteria: Reported performance against indicators not valid, accurate or complete when compared to source information (reliability) _For the selected programmes 60% of the reported indicators were not valid, accurate or complete based on the source information or evidence provided.			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office - AO			By management	By Auditor General
			30-Apr-12	Done	

**REPORT ON OTHER LEGAL
AND
REGULATORY REQUIREMENTS**

AUDIT REPORT FINDING:	Compliance with laws and regulations. Para. 19	Strategic planning and performance management.			
		_The Accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery and performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1) (a) (ii) of the MFMA.			
	Para.20	_The integrated development plan did not include the key performance indicators and performance targets determined in accordance with the performance management system, as required by sections 26 (i) and 41 (b) of the MDS and Municipal Planning and Performance Management Regulation 12.			
AUDITOR GENERAL 's RECOMM ENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARG ET DATE	PROGRES REPORT	
	MM's Office - AO			By mana geme nt	By Auditor General
		_The council has already developed the calendar of council meetings.	01- Jan-12	Done	
		_The council will appoint will appoint new audit members.			
		_The council has already established MPAC.		Done	

**REPORT ON OTHER LEGAL
AND
REGULATORY REQUIREMENTS**

AUDIT REPORT FINDING:	Annual financial statement, performance report and annual report Paragraph 21	_The financial statements submitted for auditing did not comply with section 122 (1) of the MFMA Material misstatements were identified during the audit and these were corrected by the management.
	Para. 22	_The Mayor did not table the 2009/10 annual report of the municipality in the council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
	Para. 23	_The Accounting officer did not make the 2009/10 annual report public immediately after the annual report was tabled in the council, as required by section 127 (5) of the MFMA
	Para.24	_The municipal council did not adopt an oversight report containing the council within seven months after the end of the financial year as required by section 129 (1) of the MFMA.
	Para.25	The accounting officer did not make public the council's oversight report on the 200910 annual report within seven days of adoption, as required by section 129(3) of the MFMA.
	Para.26	The performance report for the financial year under review was not prepared, as required by section 46 of the MSA and section 121 (3)(c) of the MFMA.

AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN		TARGET DATE		PROGRES REPORT	
						By management	By Auditor General
	MM Office						
	- AO	_ _The council will reinforce the internal audit unit so that they can do AFS review before the submission to AG. _The council has already developed the calender of council meetings. _ The council has already established MPAC.		01-Apr-12			
				Done		Done	
				Done		Done	

		<p>_The council will elect the oversight committee for the next annual report.</p> <p>_The council will implement and publish the annual report and oversight committee.</p>	01-Jan-12		
			Mar-12		

AUDIT REPORT FINDING:	Audit Committee Para. 27	<p>The audit committee did not function as required by section 166 of the MFMA, in that :</p> <p>_It did not advise the council, the political office- bearers, the accounting officer and the management staff of the municipality on the matters relating to internal control and internal audits, risk management, performance management, effective governance, compliance with applicable legislation and performance evaluation.</p> <p>_It did not meet at least four times during the year.</p>			
	Para. 28	<p>The audit committee did not advise the council of the municipality on the adequacy, reliable and accuracy of financial reporting and information as required by section 166 (2) (a)(iv) of the MFMA.</p>			
	Para. 29	<p>The audit committee did not advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 166 (2)(a) of the MFMA.</p>			
	Para. 30	<p>_The performance audit committee did not perform the following as required by the Municipal Planning and Performance Management Regulation 14:</p>			
		<p>_Meet at least twice during the financial year.</p>			
		<p>_Review the Quarterly reports of the internal auditors on their audits of the performance measurements of the municipality.</p>			
		<p>_Review the municipality 's performance management system and make recommendations in this regard to the council of the municipality.</p>			
		<p>_Submit an auditor's report to the council regarding the performance management system atleast twice during the financial year.</p>			
AUDITOR GENERAL 's RECOMM ENDED	RESPONSIBLE DEPT / PERSON		TARGET DATE	PROGRES REPORT	

ACTION					
	MM's Office - AO			By mana geme nt	By Auditor General
		The council will appoint the new audit committee that would adopt the audit chart and implement the risk assessment plan.	31-Dec-11		
		—			

AUDIT REPORT FINDING:	Internal audit Para. 31	<p>The internal audit did not function as the required by section 165 (2) of the MFMA, in that:</p> <p>_ It did not prepare a risk- based on audit plan and an internal audit programme for the financial year under review.</p> <p>_ It did not report to the audit committee on the implementation of the audit plan.</p> <p>_ It did not advice the accounting officer on matters relating to the internal audit, internal controls, accounting procedures and practices, risk and risk management as well as loss control.</p>
	Para. 32	The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165 (2) (a) of the MFMA.
	Para. 33	The internal audit process and procedures did not include assessments of the functionality of the municipal's performance management system and whether the system complied with the requirements of the MSA, as required by the Municipal Planning Performance Management Regulation 14.
	Para. 34	The internal audit processes and procedures did not include assessments of the functionality of the municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators, as required by the Municipal Planning and Performance Management Regulation 14.

	Para. 35	The internal auditors of the municipality did not audit the performance measurements on the continuous basis and did not submit quarterly reports on their audits to the municipality manager and the performance audit committee, as required by Municipal Planning and performance Management Regulation 14.			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office - AO			By management	By Auditor General
			30-Apr-12		

AUDIT REPORT FINDING:	Procurement and contract management				
	Para. 36	Invitations for the competitive bidding were not always advertised for the for the required minimum period as per the requirements of SCM Regulation 22(1) and 22(2)			
	Para. 37	The entries in the procurement register and the bid results were not published on the website of the municipality as per the requirements of SCM Regulation 23 ©.			
	Para. 38	Awards were made to providers who were persons in the service of other state institutions or whose directors or principal shareholders were persons in the service of other state institutions, in contravention of the requirements of SCM Regulation 44. Furthermore, the providers failed to declare that they were in the service of the state as required by SCM Regulation 13 (c)			
	Para. 39	Persons in the service of the municipality who had a private or business interest in contract awarded by the municipality failed to disclosed such interest, as required by SCM Regulation 46(2)(e) and the code of conduct for councillors issued in terms of the MSA.			
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	

	Budget & Treasury Office - CFO			By mana geme nt	By Auditor General
		_ The municipality will intergrate the request of the quotations to themunicipal website _ The procurement register will be published to the municipal website. _ The municipality will put the penalties for the non disclosure of the persons under the state.	31-Dec-11 31-Dec-11 01-Jan-12		

AUDIT REPORT FINDING:	Expenditure Management Paragraph 40	The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.			
AUDITOR GENERAL 's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office - CFO			By mana geme nt	By Auditor General
		_The municipality will implement the SCM Regulations to avoid or prevent irregular expenditure.	30-Apr-12		

AUDIT REPORT FINDING:	Revenue Management Paragraph 41	Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA			
AUDITOR GENERAL 's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget &			By	By Auditor

	Treasury Office			mana geme nt	General
	- CFO	_The municipality will levy the interest after the council has finalized the process of debt recovery from the rate payers	30-Apr-12		

AUDIT REPORT FINDING:	Leadership	The accounting officer did not review the financial statements prior to their submission for the auditing. The lack of daily, monthly, and quarterly review and monitoring resulted in misstatements or errors in the transactions, balances and disclosure line items, which were identified by the auditors during the audit process. The accounting officer did not implement sufficient monitoring to ensure adherence to the internal policies and procedure at a programme or objective level, resulting in significant control deficiencies identified during the audit process relating to the reporting and presentation of predetermined objectives.			
	Paragraph 43				
	Paragraph 44	The accounting officer did not exercise oversight over adherence to the SCM Regulations, resulting in irregular expenditure that was incurred during the year.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office _AO			By mana geme nt	By Auditor General
		_The process of monitoring will start on Monthly, Quarterly and half yearly reports.	Dec-11		
		_There will be a full preparation of financial statement for the period of 9 months for the purpose of the financial year end readiness.	Mar-12		

AUDIT REPORT FINDING:	Financial and performance management	The financial statements and report on the predetermined objectives submitted to the auditors for audit process contained numerous misstatements and errors. This was mainly due to municipal staff not performing or implementing daily financial reporting controls throughout the financial year, including the daily processing of transactions, the monthly reconciliation of accounts and continuous reviewing. The monitoring of controls was not adequate to ensure that all transactions were accounted for accurately and completely.			
	Paragraph 45				

	Paragraph 46	Policies and procedures that will ensure that all transactions were accounted for in terms of reporting framework (GRAP) requirements were not developed and communicated to staff members in finance section. As a result, the auditors identified material misstatements or errors not accounted for in terms of GRAP.			
	Paragraph 47				
	Governance				
	Paragraph 48	The municipality did not have an audit committee and an internal function that promoted accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations. Furthermore these bodies did not carry out their responsibilities in a manner consistent with the requirements of the MFMA. The interventions and mechanisms used were not appropriate as they did not prevent or detect significant control deficiencies in the municipality's internal control system, as evidenced by the numerous errors in the financial statements submitted to the auditors for audit proposes, weaknesses in the reporting of predetermined objectives, and non-compliance with the SCM Regulations. The internal audit unit did also not enforce and monitor management's implementation of its recommendations on daily control weaknesses.			
	Paragraph 49				
AUDITOR GENERAL's RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM' OFFICE - AO			By management	By Auditor General
		All the structural committees will be established.	31-Jan-12		

4.4 Budget to actual comparison

REVENUE

Item Name	Budget	Actual Received	Variance	Variance %
ASSESSMENT RATES	9 411 151.00	8 485 304.00	925 847.00	90%
DME – GRANT	15 000 000.00	16 513 868.00	-1 513 868.00	110%
REFUSE REMOVAL	90 000.00	1 177 934.00	-1 087 934.00	1309%
PLANT HIRE	4 000 000.00	7 594 875.00	-3 594 875.00	190%
LED PROJECTS	500 000.00		500 000.00	0%
LG SETA TRAINING	24 000.00	24 000.00	-	100%
FUNERAL FEES	15 000.00	13 684.00	1 316.00	91%
PLAN FEES & SERVITUDES	65 000.00	119 962.00	-54 962.00	185%
POUND FEES	30 000.00	19 915.00	10 085.00	66%
IEC GRANT	1 050 000.00	1 050 000.00	-	100%
TENDER DOCUMENTS	50 000.00	51 704.00	-1 704.00	103%
INFORMAL TRADING	10 000.00	13 450.00	-3 450.00	135%
REZONING & SUBDIVISION	5 500.00	2 763.00	2 737.00	50%
NATIS AGENCY FEES	2 400 000.00	2 271 370.00	128 630.00	95%
ADVERTISING RENTAL	180 000.00	138 696.00	41 304.00	77%
LEASE RENTALS	530 000.00	224 008.00	305 992.00	42%
RENT: HALL	45 000.00	29 562.00	15 438.00	66%
INTEREST : INVESTMENTS	585 000.00	1 604 941.00	-1 019 941.00	274%
LOANS	3 000 000.00		3 000 000.00	0%
TRAFFIC FINES	150 000.00	208 366.00	-58 366.00	139%
LICENCES: BUSINESS		24 491.00	-24 491.00	
FMG	1 200 000.00	1 200 000.00	-	100%
EQUITABLE SHARE	73 505 000.00	73 505 177.00	-177.00	100%
MSIG	750 000.00	750 000.00	-	100%
MIG	26 226 000.00	27 213 512.00	-987 512.00	104%
SALE OF SITES	650 000.00		650 000.00	0%
SALES: WOOD	80 000.00	58 589.00	21 411.00	73%
EPWP GRANT	333 000.00	2 113 000.00	-1 780 000.00	635%
SUSPENSE		118 042.00	-118 042.00	
VAT REFUND	2 500 000.00		2 500 000.00	0%
IDP DEVELOPMENT	445 528.00	445 428.00	100.00	100%
ON GOING PROJECTS	11 303 700.00		11 303 700.00	0%
TOTAL REVENUE	154 133 879.00	144 972 641.00	9 161 238.00	94%

The budgeted total revenue for the financial year 2010/11 was 154 million and the actual collected revenue during that year was 145 million which reflects 94% revenue collection. There are only two line items which are below 50% others are above 50% revenue collection.

Two items, suspense and business licensing were not budgeted for and this has been rectified.

PERSONAL EXPENDITURE

Item Name	Budget	Actual spent	Variance	Variance %
SALARIES	39 558 943.00	36 486 859.00	3 072 084.00	92%
SALARIES : BONUS-ANNUAL LEAVE	2 136 964.00	1 995 664.00	141 300.00	93%
SALARIES: LEAVE PAY	211 327.00	453 046.00	-241 719.00	214%
MEDICAL AID	3 319 791.00	1 837 704.00	1 482 087.00	55%
ALLOWANCE : WARD ADMINISTRATORS	700 000.00	642 070.00	57 930.00	92%
TRAVELLING ALLOWANCE	5 187 365.00	5 034 272.00	153 093.00	97%
CELLPHONE ALLOWANCE	817 445.00	807 554.00	9 891.00	99%
HOUSING ALLOWANCE	4 141 215.00	1 237 048.00	2 904 167.00	30%
ACTING ALLOWANCE	326 928.00	463 627.00	-136 699.00	142%
OVERTIME	1 926 214.00	2 480 417.00	-554 203.00	129%
BARGAINING COUNCIL LEVY	305 858.00	8 110.00	297 748.00	3%
INSURANCE : UIF	313 481.00	255 741.00	57 740.00	82%
PROVIDENT FUND CONTRIBUTIONS	4 100 542.00	3 595 932.00	504 610.00	88%
STANDING & NIGHT ALLOWANCE	619 524.00	546 489.00	73 035.00	88%
SKILLS DEVELOPMENT LEVY	310 594.00	303 684.00	6 910.00	98%
PERFORMANCE BONUS	609 988.00		609 988.00	0%
SALGA LEVIES	310 594.00	313 300.00	-2 706.00	101%
EXPERIENTIAL TRANEES	73 600.00	68 000.00	5 600.00	92%
WORKMANS COMPENSATION	1 176 450.00	1 206 364.00	-29 914.00	103%
CASUAL LABOUR	22 080.00		22 080.00	0%
TOTAL PERSONNEL EXPENSES	66 168 903.00	57 735 881.00	8 433 022.00	87%

Total budget for personal expenditure was 66.2 million with actual of 57.7 million which relates to 87% overall personnel expenditure This is a good performance since last financial year was also 88%.

GENERAL EXPENSE

Item Name	Budget	Actual spent	Variance	Variance %
ACCOUNTING AND AUDIT FEES	2 761 249.00	1 882 430.00	878 819.00	68%
ADVERTISING FEES	125 000.00	117 713.00	7 287.00	94%
BANK CHARGES	105 000.00	100 627.00	4 373.00	96%
BEACH MANAGEMENT	85 000.00	82 500.00	2 500.00	97%
CATERING MEETINGS	115 086.00	89 565.00	25 521.00	78%
CLEANING MATERIAL	30 000.00	15 053.00	14 947.00	50%
COMMUNICATION STRATEGY	100 000.00		100 000.00	0%
CONFERENCE FEES WORKSHOPS	58 000.00	18 050.00	39 950.00	31%
CONSULTANTS & PROFF. FEES	1 365 751.00	1 257 584.00	108 167.00	92%
CONVERSION OF AFS	900 000.00	403 362.00	496 638.00	45%
CRIME PREVENTION	170 000.00		170 000.00	0%
DATA LINES	190 000.00	70 855.00	119 145.00	37%
DISASTER MANAGEMENT	100 000.00		100 000.00	0%
EDUCATIONAL PROGRAMMES	30 000.00		30 000.00	0%
ELECTRICITY PURCHASES	400 000.00	228 905.00	171 095.00	57%
EPWP	2 474 340.00	2 341 580.00	132 760.00	95%
EQUITABLE SHARE	600 000.00	371 125.00	228 875.00	62%
HEALTH SERVICE	20 000.00	5 741.00	14 259.00	29%
HIV & AIDS	110 000.00	50 000.00	60 000.00	45%
HOTEL ACCOMMODATION	754 810.00	385 977.00	368 833.00	51%
IDP DEVELOPMENT	450 000.00	128 037.00	321 963.00	28%
IGR	50 000.00		50 000.00	0%
INSURANCE : EXTERNAL	550 000.00	410 207.00	139 793.00	75%
INTERNAL AUDIT FEES	90 000.00		90 000.00	0%
LEGAL FEES	1 000 000.00	1 060 692.00	-60 692.00	106%
LICENCE FEES	39 915.00	39 915.00	-	100%
MUNSOFT & PAYDAY	587 426.00	423 533.00	163 893.00	72%
PAUPER BURIALS	15 000.00	3 018.00	11 982.00	20%
PETTY CASH	17 500.00		17 500.00	0%
POSTAGE	4 500.00	4 243.00	257.00	94%
PRINTING & STATIONERY	360 000.00	271 986.00	88 014.00	76%
PROPERTY VALUATIONS	150 000.00	105 338.00	44 662.00	70%
PROTECTIVE CLOTHING	176 006.00		176 006.00	0%
PUBLIC PARTICIPATION	95 600.00	13 550.00	82 050.00	14%
REFUND LAND SALES	150 000.00		150 000.00	0%
REFUSE BAGS	400 000.00	161 438.00	238 562.00	40%

RENT - OFFICE EQUIPMENT	161 725.00	92 103.00	69 622.00	57%
S & T	858 000.00	677 819.00	180 181.00	79%
SPECIAL PROGRAMMES	572 000.00	171 963.00	400 037.00	30%
SUPPORT TO TRADITIONAL INSTITUTIONS	190 000.00	168 361.00	21 639.00	89%
SURVEY & PLANNING	800 000.00	393 497.00	406 503.00	49%
TEAM BUILDING	15 575.00	15 575.00	-	100%
TELEPHONE	1 690 000.00	1 241 670.00	448 330.00	73%
PLANT UNIT	4 200 000.00	3 967 557.00	232 443.00	94%
TOWING SERVICES	20 000.00	5 415.00	14 585.00	27%
TRAINING : OFFICIALS	440 000.00	437 970.00	2 030.00	100%
VACCINATION OF ANIMALS	10 000.00		10 000.00	0%
VEHICLE CAR HIRE	770 000.00	749 131.00	20 869.00	97%
VEHICLE FUEL & OIL	1 910 000.00	1 675 821.00	234 179.00	88%
VODACOM 3G	223 242.00	184 446.00	38 796.00	83%
SPATIAL DEVELOPMENT	100 000.00		100 000.00	0%
EARLY CHILDHOOD DEVELOPMENT	80 000.00	16 930.00	63 070.00	21%
INTEREST PAID	705 732.00	246 248.00	459 484.00	35%
IDP & BUDGET	300 000.00	286 703.00	13 297.00	96%
LIBRARY SERVICES	100 000.00	35 683.00	64 317.00	36%
SPORTS AND RECREATION	150 000.00	31 240.00	118 760.00	21%
POVERTY ALLEVIATION	300 000.00	85 965.00	214 035.00	29%
ARTS & CULTURE	100 000.00	64 455.00	35 545.00	64%
COUNCIL FUNCTIONS	100 000.00	47 522.00	52 478.00	48%
TRAFFIC LAW ENFORCEMENT	200 000.00	100 370.00	99 630.00	50%
REGISTERING AUTHORITY	100 000.00		100 000.00	0%
CLEANING & GREENING	150 000.00	19 535.00	130 465.00	13%
TOTAL GENERAL EXPENSE	28 876 457.00	20 759 003.00	8 117 454.00	72%

Total budget for operational expenditure was 28.9 million with actual of 20,8 million which relates to 72% overall expenditure. Based on cash flow management we have managed the line item vote to be in line with the budget line items, which resulted to a saving of 8.1 million on this financial year. In conclusion the operational expenditure was within the budgeted departmental vote and we have managed the budget in this financial year very well.

REPAIRS & MAINTAINANCE

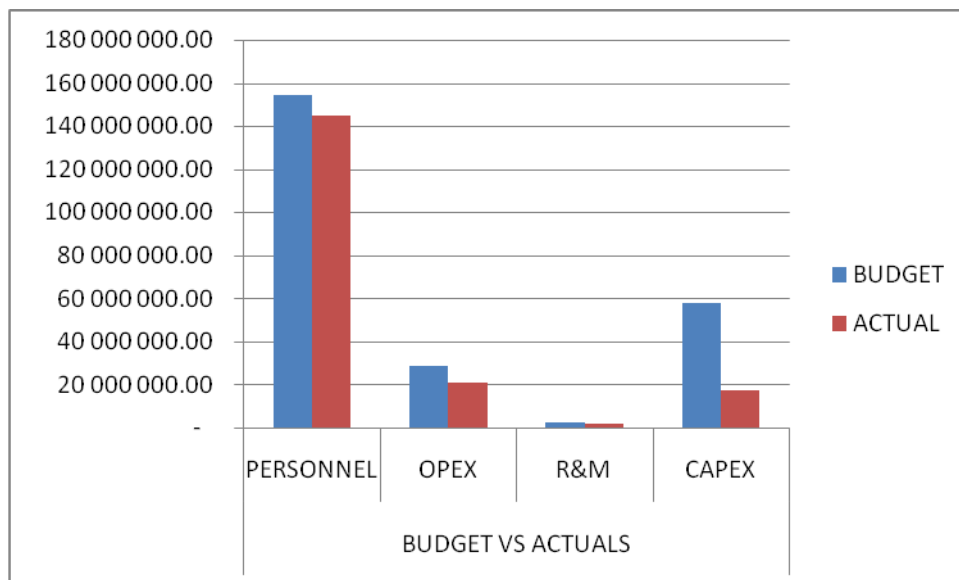
Item Name	Budget	Actual spent	Variance	Variance %
BUILDINGS & INSTALLATIONS	460 000.00	337 363.00	122 637.00	73%
COMPUTER INSTALLATION	50 000.00	5 196.00	44 804.00	10%
STREET LIGHTS	40 000.00	15 103.00	24 897.00	38%
ROAD MAINTENANCE	500 000.00	347 098.00	152 902.00	69%
TOOLS & EQUIPMENT	180 000.00	35 254.00	144 746.00	20%
VEHICLES	360 000.00	201 673.00	158 327.00	56%
IEC	1 050 000.00	1 050 000.00	-	100%
TOILETS	20 655.00	15 980.00	4 675.00	77%
TOTAL REPAIRS & MAINTENANCE	2 660 655.00	2 007 667.00	652 988.00	75%

The table above shows variance between budget and actual money spent on repairs and maintenance. With repairs and maintenance the total budget was 2.7 million with the actual of 2.0 million and overall expenditure rate of 75%.

CAPITAL EXPENDITURE

Item Name	Budget	Actual spent	Variance	Variance %
FLAGSTAFF PAVING ROAD	1 100 000.00		1 100 000.00	0%
COMPUTER EQUIPMENTS	224 425.00	41 178.00	183 247.00	18%
FENCING OF CEMETRY	200 000.00		200 000.00	0%
L E D PROJECTS	2 677 891.00	426 967.00	2 250 924.00	16%
MOTOR VEHICLES	780 000.00		780 000.00	0%
ROAD CONSTRUCTION	20 259 173.00	16 617 869.00	3 641 304.00	82%
TESTING CENTRE	3 200 000.00		3 200 000.00	0%
POUND AND FENCING	100 000.00		100 000.00	0%
SPORT FIELDS	500 000.00		500 000.00	0%
ELECTRIFICATION	15 000 000.00		15 000 000.00	0%
ON GOING PROJECTS	9 597 700.00		9 597 700.00	0%
SOCIAL FACILITIES	4 184 936.00		4 184 936.00	0%
PLOTTER	30 000.00		30 000.00	0%
MAP CABINET	30 000.00		30 000.00	0%
LANDFILL SITES	80 000.00		80 000.00	0%
GENERATOR BACK UP	5 000.00		5 000.00	0%
TOTAL CAPEX	57 969 125.00	17 086 014.00	40 883 111.00	29%

The table above shows variance between budget and actual money spent on capital expenditure. With capital expenditure the total budget was R 58 million with the actual of R 17 million and overall expenditure rate of 29%.



The bar chart above is a consolidation of budget vs. actual per category for the financial year 2010/11. The main purpose for having this chart was to at a glance indicate the summation of the allocation of the budget per item. Additional to this, it also gives summation of the actual expenditure. Based on the outcome of the bar chart it tells us that the municipality needs to have clear strategy on the management of personnel expenditure and also strategy to improve the capital expenditure

4.3 Grants and transfers'
spending

GRANT REGISTER 2010/11

GRAN T	FU ND ER			RECEIPTS PER MONTH								
		Budg et	Ope nnin g bala nce	July	Augu st	Octo ber	Nove mber	Dece mber	Febr uary	March	June	Total
Equitab e Share	NT	73 505 000	-	30 627 157			24 501 726			18 376 294		73 505 177
FMG	NT	1 200 000	-	1 200 000								1 200 000
DME	DM E	15 000 000	9 010 563				3 000 000	8 000 000	4 000 000			15 000 000
EPWP	PT	333 000					177 000			1 841 000	95 000	2 113 000
MSIG	PT	750 000			750 000							750 000
MIG	NT	26 226 000	1 700 000		8 000 000		9 000 000			9 226 000		26 226 000
IEC	PT	1 050 000								1 050 000	-	1 050 000
IDP	OR T	445 528				445 428						445 428
LED		500 000				500 000						500 000
TOTAL BUDG ET		119 009 528										120 789 605

NB: Included in the MIG receipts on the last quarter is an amount of R 4 million that was received on 30 June 2009 for the 2009/10 financial year.

4.4 Meeting of Donors' requirements in respect of conditional grants

Base on circular 51 related on rollovers of unspent conditional grant, we have made an application to national treasury for the MIG and DME grant to roll over it to the next financial year and our application was granted. All other grants we have meet their conditions.

4.5 Long term contracts entered into by the municipality

During the '08/'09 financial year the municipality has entered into a long term contract with the Development Bank of South Africa for the a loan amounting to 6,8 million. The duration of the contract is 10 years starting from May 2009 till April 2019. The purpose of the contract was to get a loan to purchase plant machinery that will be used to reduce backlog on roads and maintenance.

Provide information to the Department on the type of long term contracts the Municipality has entered into with service providers and other entities. Agreement was that the municipality must put collateral of 3million to invest for 10 years. This is a strategy to pay back the loan.

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	R57 969 125	R17 086 014	29%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R66 168 903	R57 735 881	87%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	R31 537 112	R22 766 670	72%
		Target set for the year (30% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual	R38 133 283	R22 098 373	57%

	budget			
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	R1 274 271	R2 038 122	100%
6	Percentage of MIG budget appropriately spent	R27 926 000	R27 213 512	97%
7	Percentage of MSIG budget appropriately spent	R735 000	R735 000	100%
8	Percentage of FMG budget appropriately spent	R1 200 000	R1 2000 000	100%
9	Percentage of DME budget appropriately spent	R24 010 563	R16 513 868	68%

4.7 The Audit committee functionality

1. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and is supposed to meet four times per annum as approved terms of reference. During the current year three meetings were held of which one was special to discuss financial statements.

Name of Member	Number of meetings attended
1 Dr. Prince Mkuseli Mancotywa (Chairperson)	03
2 Mr. Lindela Mtwazi	00
3 Mr. Tembekile Faithful Tayi	03

2. AUDIT COMMITTEE RESPONSIBILITY

The audit committee is satisfied that it has complied though to a certain extent with its responsibilities as outlines in Section 166 of the MFMA No. 56 of 2003. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter and also reviewed and endorsed the internal audit charter. It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of Internal Control

- The municipality has not reviewed its risk profile at both strategic and operational level during the year. The audit committee has noted that, the municipality has operated in changing and hence challenging risk management environment and it is encouraged that the municipality and its departments

- The internal audit reports presented and discussed indicated instances where controls were inadequate or ineffective
- Recommendations were provided by internal audit but management fell short in implementing some of the corrective actions
- There are challenges that need to be addressed urgently with regard to governance structures in the municipality
- The municipality must consider establishing its own internal audit unit and risk management unit
- The municipality must also have Fraud Prevention Plan
- An internal anti-corruption committee must be established to reinforce the management as it has shown commitment in the fight against corruption
- The audit committee has noted with concern the issues raised in the report of the auditor General. The audit committee has tasked management to prepare a comprehensive plan to indicate how the municipality will address the issues and report progress regularly to the committee

3. QUALITY OF MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT

The municipality presented and review meetings. These reports were not tabled to the audit committee due to the challenges of the shared internal audit unit with O.R. Tambo.

Evaluation of financial statements

The audit committee has:

- Reviewed and discussed with the Auditor general and the accounting officer the audited annual financial statements to be included in the annual report.
- Reviewed the Auditor General's management letter and management response

The committee concurs with many issues raised by the Auditor General though it finds it difficult to understand and accept the conclusions of the Auditor General on the annual financial statements

4.8 Arrears in property rates and service charges

Raters and Refuse: Ageing

0 - 30 days (current)	130 075
31 - 60 days	102 292
61 - 90 days	109 336
91 -120 days	64 411
21 - 150days	109 114
151 - 180 days	108 273
181 - 210 days	113 646
211 - 240 days	6 615 688
241 - 270 days	89 149
271 - 300 days	97 407
301 - 330 days	92 065
331 - 360 days	109 024
+361 days	30 026 306
Total	37 766 785

4.7 THE AUDIT COMMITTEE FUNCTIONALITY

We are pleased to present the report for the Financial Year ended 30 June 2011.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE.

Ingquza Hill Local Municipality's Audit Committee is constituted in terms of Section 166 of the Municipal Finance Management Act No. 56 of 2003 (MFMA) and meets as per its approved audit committee charter.

Two meetings were held during the 2010/ 11 financial year and was attended by Auditor General, the Municipal Manager, Chief Financial Officer, Head of Internal Audit, the Chairperson of the audit committee could not report to the Council due to non – sitting of the Council meetings of Ingquza Hill Local Municipality. None sitting was due to political instability.

The table below highlights the audit committee members and the record of attendance of audit committee meetings:

MEMBER	DESIGNATION
Dr Prince Mkuseli Mancotywa	Chairperson
Mr. Faith Tembekile Tayi	Member
Mr. Lindela Mtwazi	Member

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied partly its responsibility arising from Section 166 (2) (a) (b) but failed to comply with Section 166 (4) (b) of the MFMA. The audit committee has endorsed the audit committee charter that was approved by the Council and has regulated its affairs in compliance with this audit committee charter and has discharged partly its responsibility as contained therein.

It has adopted internal audit charter that regulates the functioning of the internal audit unit.

THE EFFECTIVENESS OF INTERNAL CONTROLS

Significant weaknesses of controls have been reported from the reports issued by the internal audit unit and the Auditor General. These weaknesses continue to be addressed by management.

And organizational risk register that identifies major risks and potential threats to municipality's strategic objectives has been developed though adopted late February 2011 by the Council. Management has also developed action plans to reduce the severity of risk exposure to an acceptable level. Internal Audit reviews could not be done in all quarters as the municipality has not been having its own internal auditor and to rely on the shared service with O.R. Tambo. The risk based Internal Audit coverage plan could not be ascertained

whether it was followed since the audit committee stopped its meetings when it could not be in a position to report to Council due to non – sitting of Council meetings.

ASPECTS REQUIRING SPECIFIC MENTION

In the previous financial years 2008/ 09, 2009/ 10 up to this reporting year, there has been political instability at Ingquza Hill Local Municipality. This made all the oversight structures to be dysfunctional and as a result management worked on its own without being monitored.

Governance and leadership were compromised and this resulted to significant non- compliance with many pieces of legislation and regulations issued by National Treasury and Cooperative Governance and Traditional Affairs departments.

Evaluation of financial statements

The audit committee has:

- Evaluated the financial statements of Ingquza Hill Local Municipality for the period ending 30 June 2011.
- Reviewed the Auditor General's report to the Council and management's action plan thereto

The Audit Committee wants to express its delight at the achievement of an unqualified audit report on the Ingquza Hill Financial Statements for the year ended 30 June 2011. This is the culmination of the hard work that was put in by the management team under the leadership of the Municipal Manager and dedicated team that worked tirelessly under the trying conditions and maintained a professional approach at all times. We congratulate management for the milestone achievement.

In my capacity as the Chairman of the committee I also want to convey my sincere gratitude to my fellow audit committee members who exercised vigilance and gave input unreservedly in advising management.

Finally I thank the Council for its intentions to support the incoming audit committee.

Prince Mkuseli Mancotywa
Chairperson of Audit Committee

OVERSIGHT REPORT 2010/2011 FINANCIAL YEAR

MUNICIPAL PUBLIC ACCOUNT COMMITTEE REPORT (2010-2011)

INTRODUCTION:

In Terms of section 79 of the Municipal Structures Act, a council must have an Oversight committee (MPAC) in this regard, to exercise oversight over the executive functions of the council and to ensure good governance in the municipality and strive for 2014 clean Audit. On the 25th of January 2012 council mandated the above committee to perform an oversight work over the annual report and come back to report to the council.

TERMS OF REFERENCE

As the committee we have the responsibility to interrogate the following as per our guidelines:

- Unforeseen and unavoidable expenditure
- Unauthorised, Irregular or Fruitless and Wasteful expenditure
- Quarterly report from the Office of the mayor
- Monthly budget statements
- Midyear budget and performance assessment
- Disclosure concerning Councillors and Directors
- Submission and Auditing of financial statements
- Issues raised by Auditor General
- Submission of Annual report
- Audit Committee
- Performance Management Plan
- Monitoring that the Annual budget is informed by IDP
- Monitoring that all declaration of interest forms are completed by Councillors on an Annual basis

AUDITOR GENERAL REPORT

In terms of the Auditor General's opinion we have received an unqualified report, which we believe as committee needs to be applauded and given high appreciation as it is an indication of a progressive step towards our intended goal of 2014 clean audit. However, so jubilant as the Committee should be, it is equally important to note that beyond the opinion there are areas of emphasis laid down by the Auditor General but be as it may, we are further grateful to inform this council that in response to the call by the Auditor General, there is a categorically clear action plan talking directly to the matters of emphasis as raised by Auditor General and the plan has satisfied us.

SUMMATIVE REPORT

According to the SDBIP 2010-2011 financial year ,which the Committee believe that is the contract signed by managers, the Committee learnt that there is a sound and good correspondence between the SDBIP and the report. All the targets were met as set and

where there are few and slight deviations, the Committee found reasons substantial and valid.

OFFICE OF THE MUNICIPAL MANAGER

The executive summary clearly guided the Committee as to what is contained in the report. Everything in the report was supplied with satisfactory proof of evidence. The Committee had a serious concern over one issue raised which needed a clarity, the issue of the assessment committee and got pleased by explanation given to them, which said that it is the committee that is set for a specific purpose at a specific time.

CORPORATE SERVICES

The office provided us with all the proof of evidence we requested from them and those proofs satisfied us as a committee.

BUDGET AND TREASURY

Once more the department has actually come to the committee and provided us with the necessary proof of evidence and answers.

COMMUNITY SERVICE

All the necessary documents to prove the report to be really true were supplied to us to our satisfactory and the report itself met the targets as stipulated in the SDBIP.

STRATEGIC AND DEVELOPMENT PLANNING

We are happy with the report as issues raised on the report were found to be true by the committee, but however, in the department we could not meet the officials from the office and as such there was no proof of evidence received.

TECHNICAL SERVICES

We are pleased with the report, however we felt it necessary to have some visits in the areas where there were slightly problems raised. The Committee visited the following projects ;

- Dikidikini Access Road at Ward 05
- Nozayi to Norhatshaza Access Road at Ward 04
- Makaula Access Road at Ward 27

DIKIDIKINI ACCESS ROAD, WARD 05 : At this project the issue is the complaint from the community in relation to the Informal agreement they had with the contractor, but what the Committee discovered, is a shortage of pipes on the road in certain areas.

NOZAYI TO NORHATSHAHA ACCESS ROAD : The Committee noted the shortage of pipes and insufficient supply of gravel.

MAKAULA ACCESS ROAD: The Committee further noticed a serious poor performance by contractor e.g. (Drainage system directed to the nearest school), but the management is attending to that.

Following suggestions from the Committee,

It was thereafter

RECOMMENDED

- 1) That monthly reports should also be accompanied by monthly plans.
- 2) That workshop on the policies should be conducted as they become a problem in certain areas.
- 3) That the committee Chairperson should have an Office with relevant resources due to the scope of the work that they have.
- 4) That the council should adopt the report as it meets most of the expectations with no reservations.
- 5) That management should strictly adhere to the Action Plan as per Auditor General's opinion.

CONCLUSION

In conclusion the Committee expressed their sincere word of appreciation on the account of good cooperation that they received from the Head of Departments. However as the committee we wish to further express our sentiments in as far as this work is concerned, that, it was not easy but we managed thou. We further want to voice out that we are open for advice and assistance whenever the need arises.

SIGNED BY:

**P.P.NTSHOBO
CHAIRPERSON**

4.8 Arrears in property rates and service charges

4.9 Anti corruption strategy

DEVELOPMENT STAGE OF THE FRAUD PREVENTION POLICY;

- The anti-fraud and anti-corruption policy has been developed and is a working document, this policy does not only focus on fraud but it addresses the issues of fraud and corruption.

ADOPTION OF THE FRAUD PREVENTION POLICY BY THE COUNCIL

- The policies were workshoped to the council in March 2010 and was presented to the council and was adopted

- **FUNCTIONALITY OF THE FRAUD CASES REPORTING MECHANISM;**

The fraud cases reflect on the cases reported by the municipality

Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

5.1 Overview of the Executive and Council functions and achievements;

The political instability at Ingquza Hill has impacted in the functioning of the council, the meetings will be held but not on time for consideration and adoption of documents. The council though managed handle some functions assigned to them though the performance would not be as pleasing as it would have been on a normal situation.

5.2 Public participation and consultation;

This has been done through the roadshows and the mayoral imbizos were held in 25 wards except ward 06 and 08

5.3 Ward committees' establishment and functionality

Ward committees were launched in all wards and each ward has about 10 representatives which makes a number of 270 for the whole municipality. The ward committees this financial year were not as active as possible due to the political instability. Some members attended the IDP rep forums and the participation was pleasing but due to non sitting of the council and the political instability, there were no proper records and close monitoring by the politicians

5.4 Community Development workers performance monitoring

The performance of the community development workers is monitored through the ward councillors; the non functioning of the council has also hindered the close supervision of the CDW's.

- **.5 Communication strategy**

ITEM	PROGRESS
Communication Unit	There is no communication unit. There is a communication officer and a very few personnel that are dedicated to communication
Communication Strategy	Draft has been developed and facilitating a meeting with the office of the Premier(OTP), District and GCIS to make inputs and comments before tabling it to the Management and council
Infrastructural Resources	1.The website has been developed and launched 2. There are notice boards in both Units 3.Information centre is in place but there are no resources

5.7 Intergovernmental Relations

We have developed relations with departments in terms of intergovernmental relations, such that our IDP is constituted of the programs from all the stakeholders. As per our SDBIP we planned to establish the governmental oversight structure which should be led by the politicians, this oversight structure was not properly established but nevertheless the social cluster meeting was held on the 27 October 2010 where the departments were requested to present the challenges hindering the service delivery. The social cluster meetings were held successfully and were led by the officials, political structures though (oversight) were not established or revived due to political instability

5.8 Legal matters

5.8.1 Setting up of Legal Units

The legal services unit has not been established by the municipality. We are in possession of the legal services officer who carries out issues needing legal opinion and legal view. Miss Kwazile Mdutshane. The ligations are as follows:

5.8.2 MANAGEMENT OF LITIGATION

CASE NUMBER	NAME OF PARTIES	CAUSE OF ACTION	STATUS
315/2010	Brenda Lamla Dana Vs Ingquza hill local municipality	Under payment as per contract of employment.	Pending.
534/09	Lutshetu Naothi Vs Ingquza Hill Local Municipality	Mandment Van Spolie	Finalised against us to return her to the status quo.
329/10	Bongile Gade Vs Ingquza Hill Local Municipality	Eviction Applicationat Lukhahlambeni location Nkunzimbini A/A	Application was not opposed presumable it was granted i.e. finalized.
161/10	ECB Equipment Vs Ingquza Hill Local Municipality	Summons issued against u Ingquza Hill Local Municipality 14/07/2010	Debt settled that is finalized
607/2010	Nomahlubi Dorcas Mayekiso Vs Ingquza Hill Local Municipality	Transfer of land	Summons issued against us 03/03/2010

189/2011	Municipal councilors pension fund Vs Ingquza hill local municipality	Civil claim	Pending.
434/08	Econ Holding Asset Management Vs IHLM	Application for eviction	Application was not opposed and finalized against us.
519/04	Zanele Nqezo Vs IHLM	Application for court interdict.	Application was not opposed.
533/09	Nokuzola Margaret Sigcau	Mandment Van Spolie	Finalised against us to return her to the status quo.
343/09	Tembinkosi Hlupheko Vs IHLM	Mandment Van Spolie	To return the applicant to his status quo.
158/09	T.M. Ziki	Acknowledgement of debt signed by the respondent	Rates collection finalized.
878/09	Kholeka Bhodlani Vs IHLM	Dismissed from the court roll. The matter is prescribed.	Pending
253/07	Nokulunga Madolo Vs IHLM	Mandment Van Spolie	To return the applicant to her status quo.
252/07	Patrick Madolo Vs IHLM	Mandment Van Spolie	To return the applicant to his status quo.
366/08	Mbelebele Sonwabile	Mandment Van Spolie	Granted against us, to

			return the applicant to his status quo.
852/06	Zwelixelile Sigcau Vs IHLM	Application for eviction	Granted in favour of us.
33/05	Assembles of God Vs IHLM	Application for eviction	Granted in favour of us
151/09	Nomtshato Mabhovula Vs IHLM	Application for spoliation order	Pending
358/08	Ncumisa Notshaya Vs IHLM	Judgment in application proceedings was granted that the matter be referred to action proceedings where oral evidence will be led	Claim for reimbursement arising from demolition of a fixed structure.
189/08	Zimasa Giwu Vs IHLM	Claim for restoration of Cell C Container	Finalised
661/10	ELB Equipment LTD Vs IHLM	Municipality did investigate and find that they owe nothing to them	Finalised
New Case(2010)	Bhekinkosi Mbede Vs IHLM	Fraud & Corruption	Disciplinary Hearing in process
New Case(2010)	Sonwabiso Templeton Teto Vs	Fraud & Corruption	Disciplinary Hearing in process

	IHLM		
New Case(2010)	Ntomboxolo Cynthia Kobo Vs IHLM	Fraud & Corruption	Disciplinary Hearing in process
New Case(2010)	Tembisile Gaulana Vs IHLM	Fraud & Corruption	Disciplinary Hearing in process
New Case(2011)	Ngxaliwe Nonkonzo Vs IHLM	Fraud & Corruption	Resigned whilst investigation was taken against her.
New Case(2011)	Ndabeni Lungakazi Vs IHLM	Fraud & Corruption	Resigned whilst investigation was taken against her.
New Case(2011)	Fundisiwe Emaculate Mjweni Vs IHLM	The SIU uncovered some wrongs in their office. Once charged they offered to make confession in exchange for a lenient sanction.	Pending
New Case	Noluvuyo Nyenyiso Vs IHLM	The SIU uncovered some wrongs in their office. Once charged they offered to make confession in exchange for a lenient sanction.	Pending
New Case(2011)	Samzuza Mjobo Vs IHLM	The SIU uncovered some wrongs in their office. Once charged they offered to make confession in exchange for a lenient sanction.	Pending
ECD50913	Nomvelo Mabena	Complaint about	Award issued against us and reimburse her dues

	Vs IHLM	demotion	and place her to her original position as an officer.
ECD50913	Bulelwa Njilo	Complaint about demotion	Award issued against us and reimburse her dues and place her to her original position as an officer.
ECD50913	Phakamile Mayeza Vs IHLM	Complaint about demotion	Award issued against us and reimburse his dues and place him to his original position as an officer.
ECD50913	Wiseman Zwelivumile Madikane Vs IHLM	Complaint about wage gap	Award issued against us and reimburse his dues.
ECD80912	Wiseman Zwelivumile Madikane Vs IHLM	Gross Negligence	The matter is in Labour Court. There are still prospects of success.
ECD08915	Songezo Mangcotywa Vs IHLM	In possession of municipal property without authorization	The matter is in Labour Court. There are still prospects of success.
ECD080914	Temba Derrick Qumba Vs IHLM	Fraud & Corruption	The matter is in Labour Court. There are still prospects of success.
ECD80913	Winile Rhini	Theft of municipal diesel	He referred his matter to Labour Court for reviewal.
ECD110917	Wilson Sizwe Mdolo Vs IHLM	Dismissed for misconduct which emanated from allegations of fraud, corruption and gross dishonesty.	He referred his matter to Labour Court for reviewal.

ECD11091	Dinilamahlubi Luthuli Vs IHLM	Dismissed for misconduct which emanated from allegations of fraud, corruption and gross dishonesty.	Finalised
ECD11091 6	Paul Thanduxolo Nyaose Vs IHLM	Conflict of interests	Award issued in favour of him and he was reimbursed for all his dues.
Hq071006	Qumba & Others(casual workers) Vs IHLM	Application of collective agreement	Default judgment
ECD11100 8	Sizwe Lulama Qwalela Vs IHLM	Termination of services	This former employee took municipality to Labour Court against their dismissal, for an urgent application to have their dismissal set aside, and their application dismissed.
ECD11100 6	Ntombentle Stoffela Vs IHLM	Termination of services	This former employee took municipality to Labour Court against their dismissal, for an urgent application to have their dismissal set aside, and their application was dismissed.
ECD11100 1	Primrose Vuyokazi Zameka Gonya Vs IHLM	Termination of services	This former employee took municipality to Labour Court against their dismissal, for an urgent application to have their dismissal set aside, and their application was dismissed.
EC EL 2972-07	Nompendulo Madlebe	Theft of ENatis safe with +/- R300 000.00	Dismissed

	Vs IHLM		
New Case(2011)	Noxolo Gubeka Vs IHLM	Abscondment	It was agreed upon with her that a deduction be made from her salary to pay the municipality back for the loss incurred.
New Case(2011)	Sandile Vice Vs IHLM	Abscondment	Investigation stage
2622/10	Mpangeva Tabiso Vs IHLM	Mandment Van Spolie	To return an applicant to his status quo.
2623	Malizo Mpukwana	Mandment Van Spolie	To return an applicant to his status quo.